Supreme Court, U. S.
FILED
FEB 6 1980
MICHAEL RODAK, JR., CLERK

APPENDIX

IN THE

Supreme Court of the United States

OCTOBER TERM 1979

No. 79-669

DAWSON CHEMICAL COMPANY,
CRYSTAL MANUFACTURING CORPORATION AND
CRYSTAL CHEMICAL COMPANY,
Petitioners,

v.

ROHM AND HAAS COMPANY,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI
FILED OCTOBER 24, 1979
CERTIORARI GRANTED JANUARY 7, 1980

INDEX

	Page
Clerk's Docket Entries	iii
Plaintiff's First Amended and Supplemental Complaint, Filed June 24, 1974	1
First Amended Answer and Counterclaim of Defendants Dawson Chemical Co., et al, Filed July 17, 1974	8
Plaintiff's Reply to Counterclaim of Defendant Crystal Chemical Co., Filed July 25, 1974	17
Answer by Defendant Helena Chemical Co. to Interrogatory No. 12 of Plaintiff's Interrogatories (First Set), Filed October 17, 1974	20
Answers by Defendants Dawson Chemical Co., et al to Interrogatories No. 20, 21 and 22 of Plaintiff's Interrogatories (First Set), Filed October 17, 1974	23
Plaintiff's Response to Defendant Crystal Chemical Co.'s Interrogatories (First Set), Filed October 18, 1974	26
Stipulation by all Parties, without Exhibits, Filed October 31, 1974 (Exhibits reproduced in separate volume)	35
Defendants Dawson Chemical Co., et al's Motion for Summary Judgment, Filed November 11, 1974	40
Plaintiff's Motion for Summary Judgment, Filed December 6, 1974	43
Reply Memorandum by Defendants Dawson Chemical Co., et al in Support of Their Motion for Summary Judgment and in Opposition to Plaintiff's Motion for Summary Judgment, Without Attachment, Filed December 16, 1974	46
Reply Memorandum by Defendant Helena Chemical Co. in Support of Defendants' Motions for Summary Judgment and in Opposition to Plaintiff's Motion for Summary Judgment, Without Attachment, Filed December 30, 1974	55
Supplemental Memorandum by Defendant Helena Chemical Co. in Support of Motion for Summary Judgment, Filed April 13, 1976	60
Memorandum and Opinion of District Court, Filed August 10, 1976	67
Defendants Dawson Chemical Co., et al's Motion for Reconsideration of the Court's Decision Not to Dismiss Plaintiff's Complaint, Filed September 3, 1976	111

	PAGE
Defendants Dawson Chemical Co., et al's Memorandum in Support of Motion for Reconsideration, Filed September 3, 1976	114
Memorandum and Order of District Court, Filed November 23, 1976	122
Final Judgment, Filed November 23, 1976	135
Plaintiff's Notice of Appeal, Filed December 16, 1976	136
Defendants Dawson Chemical Co., et al's Joint Notice of Appeal, Filed December 23, 1976	137
Opinion of Court of Appeals, Filed July 30, 1979	139
Judgment of Court of Appeals, Filed July 30, 1979	183

SEE PROTECTIVE ORDER FILED 11-15-74.

CIVIL DOCKET — JURY REQUESTED — 74-H-790

UNITED STATES DISTRICT COURT

Jury demand date: Deft. Helena: 7-23-74 Defts. Dawson Chemical Co., Crystal Mfg. Corp., Crystal Chemical Co.: 8-2-74

CARL O. BUE, JR.

C. Form No. 106A Rev.

TITLE OF CASE	ATTORNEYS
ROHM AND HAAS COMPANY VS. DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORP., KRYSTAL CHEMICAL CO., INC., and HELENA CHEMICAL COMPANY	For plaintiff: James C. Winters CRAIN, WINTERS, DEATON, JAMES & BRIGGS 3300 Two Houston Center Houston, Texas 77002 654-1616 Dawson Chem. Co.; Crystal Mfg. Corp.; For defendant Crystal Chemical: John L. McConn, Jr. BUTLER, BINION, RICE, COOK & KNAPP 1100 Esperson Buildings Houston, Texas 77002 224-6711, 288 Helena Chemical Co.: B. R. Pravel PRAVEL AND WILSON 2010 Marathon Bldg. Houston, Texas 77002 224-2020

STATISTICAL RECORD	COSTS	DATE	NAME OR RECEIPT NO.	REC.	DISB.
S. 5 mailed	Clerk	5-11	CHDC&B	15 00	
		6-14-74	C.D 1-35		15 00
S. 6 mailed	Marshal	12/16/76	#15537	N.A. 5.00	
sis of Action: Injunction declaratory judgment; tent infringement, USC 1400(b)	Docket fee	12/23/76	#15639	N.A. 5.00	
rtion arose at:	Witness fees				—
	Depositions				

74-H-790

JURY REQUESTED

NORMAN W. BLACK

DATE	PROCEEDINGS	Date Of Judgment
6-11-74	ORIGINAL COMPLAINT, filed. No summons copies available at this time	1.
6-14-74	Summons issued on 4 defts.	
6-14-74	Pltf.'s REQUEST to Defts. FOR PRODUCTION OF DOCUMENTS (First Request), filed.	2
6-14-74	Pltf.'s INTERROGATORIES to Defts. (First Set), filed.	3
6-24-74	Pltf.'s FIRST AMENDED AND SUPPLEMENTAL COMPLAINT, filed. Summons issued (4) on defts.	
7- 1-74	Deft. Crystal Chemical Co.'s REQUEST to Pltf. FOR PRODUCTION of Documents (First Request), filed.	5
7- 1-74	Deft. Crystal Chemical Co.'s INTERROGATORIES to Pltf., (First Set), filed.	6
7- 2-74	ANSWER AND COUNTERCLAIM of Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co., filed.	
7- 9-74	STIPULATION, Deft. Helena Chemical Co. shall answer, move or otherwise plead to the First Amended and Supplemental Complaint by 7-23-74, filed.	8
7-10-74	Return of Summons on the following, filed:	
	Dawson Chemical Co. thru Roy Dawson, returned unexecuted, Dawson deceased	9
	Dawson Chemical Co. thru Roy Dawson, served 6-17-74 thru Mr. Vardeman	10
	Crystal Mfg. Corp. thru Joe C. Eller, served 6-17-74 thru Mr. Vardeman	11
	Helena Chemical Co. served 6-19-74 thru C. T. Corp. System	12
	Crystal Chemical Co. thru Joe Eller, served 6-21-74 thru Mr. Vardeman	13
	Crystal Chemical Co. thru Joe Eller, served 6-27-74 (am. comp.)	14
	Crystal Mfg. Corp. thru Joe Eller, served 6-27-74 (am. comp.)	15
	Helena Chemical Co. served 6-28-74 thru C. T. Corp. System (am. comp.)	16
7-17-74	FIRST AMENDED ANSWER AND COUNTERCLAIM of Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co., filed.	
7-19-74	Pltf.'s REQUEST FOR PRODUCTION OF DOCUMENTS (SECOND REQUEST) to Defts. Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co., filed.	18
7-19-74	Pltf.'s INTERROGATORIES to Defts. Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co. (SECOND SET), filed.	19
7-23-74	ANSWER and COUNTERCLAIMS of Deft. Helena Chemical Co. w/JURY DEMAND, filed.	20
7-25-74	Pltf.'s REPLY to Counterclaim of Deft. Crystal Chemical Co., filed.	21
8- 1-74	STIPULATION, Pltf. and Defts. agree that the time for answering, objecting or otherwise pleading to each of the following is extended for 30 days, filed: Pltf.'s Request to Defts. for Production of Documents (1st Request) Pltf.'s Interrogatories to Defts. (1st Request) Interrogatories of Crystal Chemical Co. to Pltf. (1st Set) Crystal Chemical Co.'s Request to Pltf. for Production of Documents (1st Request) (Entry continued to top of next page)	

CA 74-H-790 Carl O. Bue, Jr.

D. C. 110A Rev. Civil Docket Continuation NORMAN W.

DATE	PROCEEDINGS	D Jud
	Entry continued from previous page:	
8-1-74	Pltf.'s Request for Production of Documents (2nd Request) Pltf.'s Interrogatories to Defts. Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co. (2nd Set)	22
8-2-74	Defts. Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co. DEMAND FOR JURY TRIAL, filed.	23
8- 9-74	Pltf.'s INTERROGATORIES to Deft. Helena Chemical Co. (3rd Set), filed	24
8- 9-74	Pltf.'s REQUEST FOR PRODUCTION OF DOCUMENTS (3rd Request) to Deft. Helena Chemical Co., filed.	25
8-13-74	Pltf.'s REPLY to COUNTERCLAIMS of Helena Chemical Co., filed.	
9- 4-74	STIPULATION, Pltf. and Defts. stipulate that the time for answering, objecting or otherwise pleading to each of the following is extended to and including 10-15-74, filed: Pltf.'s Request to Defts. for production of documents (1st Req.) Pltf.'s Interrogatories to Defts. (1st Req.) Interrogatories of Crystal Chemical to Pltf. (1st Set) Crystal Chemical Co.'s Request to Pltf. for Production of Documents (1st Req.) Pltf.'s Request for Production of Documents (2nd Req.) Pltf.'s Interrogatories to Defts. Dawson Chemical Co., Crystal Mfg. Corp. and Crystal Chemical Co. (2nd Set) Pltf.'s Interrogatories to Deft. Helena Chemical Co. (3rd Set) Pltf.'s Request for Production of Documents (3rd Req.)	27
10-17-74	ANSWERS by Deft. Helena Chemical Co. to Pltf.'s INTERROGATORIES (FIRST SET), filed.	28
10-17-74	ANSWERS by Deft. Helena Chemical Co. to Pltf.'s INTERROGATORIES (THIRD SET), filed.	29
10-17-74	ANSWERS by Defts. Dawson Chemical Co., Crystal Manufacturing Corp., and Crystal Chemical Co. to Pltf.'s INTERROGATORIES to Defts. (FIRST SET), filed.	30
10-17-74	ANSWERS to Pltf.'s INTERROGATORIES to Defts. Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co. (SECOND SET), filed.	31
10-18-74	Pltf.'s NOTICE of Taking Depositions to Defts. Dawson Chemical Co., Crystal Chemical Co. and Crystal Manufacturing Corp. thru Joe C. Eller, President and various other unnamed officers on 11-19-74, filed.	32
10-18-74	Pltf.'s NOTICE of Taking Depositions to Deft. Helena Chemical Co. thru Jerry A. Williams, J. C. Blue and various other unnamed officers on 11-21-74, filed.	33
10-18-74	Pltf.'s RESPONSE to Deft. Crystal Chemical Co.'s Request for Production of Documents (First Request), filed.	34
10-18-74	Pltf.'s RESPONSE to Deft. Crystal Chemical Co.'s Interrogatories (First Set), filed.	35
10-29-74	Deft. Helena Chemical Co.'s RESPONSE to Pltf.'s Requests for Documents (First Set) and (Second Set), filed.	36

CA 74-H-790

CARL O. BUE, JR.

NORMAN W. BLACK

DATE	PROCEEDINGS	Date C Judgme
10-31-74	STIPULATION by all parties, filed.	37
10-31-74	Pltf. AMENDED NOTICE FOR TAKING OF DEPOSITIONS of deft. Helena Chemical Co., filed.	38
10-31-74	PROCEDURAL STIPULATION by all parties, filed.	39
11-11-74	Defts. Dawson Chemical Co., Inc., Crystal Manufacturing Corp., and Crystal Chemical Co., Inc. MOTION FOR PROTECTIVE ORDER, filed. M/D: ~~11-25-74~~ 12-16-74 (Stipulation filed 11-19-74)	40
11-11-74	Defts. Dawson Chemical Co., Inc., Crystal Manufacturing Corp., and Crystal Chemical Co., Inc. MEMORANDUM in Support of Motion for Protective Order, filed.	41
11-11-74	Defts. Dawson Chemical Co., Crystal Manufacturing Corp.'s and Crystal Chemical Co.'s MOTION FOR SUMMARY JUDGMENT, filed. M/D: ~~11-25-74~~ Oral hearing requested. 12-16-74 (Stip.filed 11-19)	42
11-11-74	Defts. Dawson Chemical Co., Crystal Mfg. Corp.'s and Crystal Chemical Co.'s MEMORANDUM in Support of Motion for Summary Judgment, filed.	43
11-15-74	(COB) PROTECTIVE ORDER, filed. Directions and guidelines given regarding the handling of confidential material to be designated by counsel. Parties ntfd. by copy. pt	44
11-19-74	STIPULATION for Extension of Time, Pltf. has to and including 12-9-74 to respond to Defts. Dawson Chemical Co.'s, Crystal Mfg. Corp.'s and Crystal Chemical Co.'s Motion for Summary Judgment and Motion for Protective Order; Defts. have to and including 12-16-74 to answer Pltf.'s response; oral argument requested, filed.	45
11-22-74	Pltf. Rohm and Haas Co.'s MEMORANDUM IN OPPOSITION to Deft.'s Motion for a Protective Order, filed.	46
11-25-74	Deft. Helena Chemical Co. MOTION FOR SUMMARY JUDGMENT, filed. M/D: 12-9-74	47
11-25-74	Deft. Helena Chemical Co. MOTION FOR PROTECTIVE ORDER, filed. M/D: 12-9-74	48
12- 6-74	Pltf. Rohm and Haas Co.'s OPPOSITION to Deft. Helena Chemical Co.'s Motion for Protective Order, filed.	49
12- 6-74	Pltf. Rohm and Haas Co.'s MOTION FOR SUMMARY JUDGMENT, filed. M/D: 12-16-74 Oral argument requested.	50
12- 6-74	Pltf. Rohm and Haas Co.'s MEMORANDUM in Opposition to Defts.' Motions for Summary Judgment and in Support of Its Own Motion for Summary Judgment, filed.	51
12-16-74	REPLY MEMORANDUM by Defts. Dawson Chemical Co., Crystal Mfg. Corp. and Crystal Chemical Co. in Support of Their Motion for Summary Judgment and in OPPOSITION to Pltf.'s Motion for Summary Judgment, filed.	52
12-30-74	Deft. Helena Chemical Co. MEMORANDUM IN SUPPORT of defts. motions for Summary Judgment and IN OPPOSITION of pltf. motion for summary judgment, filed.	53

DATE	PROCEEDINGS	Da Judg
1- 6-75	Pltf. MEMORANDUM in REPLY to Deft. OPPOSITION to Pltf. Motion for Summary Judgment, filed.	54
1-13-75	SUPPLEMENTAL REPLY MEMORANDUM by Deft. Helena Chemical Co. in support of motion for Summary Judgment by Defts. & in opposition to motions for Summary Judgment by Pltf., filed.	55
6-20-75	Pltf's NOTICE of TAKING DEPOSITION of Deft Helena Chemical Company, on 7-31-75, filed.	56
6-20-75	Pltf's NOTICE of TAKING DEPOSITION of Defts Dawson Chemical Company Crystal Chemical Company and Crystal Manufacturing Corporation on 7-29-75, filed.	57
7- 8-75	MOTION for PROTECTIVE ORDER Quashing Pltf's Notices of Depositions of Deft. Helena Chemical Co., filed. M/D 7-21-75	58
7- 8-75	MEMORANDUM in Support of MOTION for Protective Order Quashing Pltf's Notices of Depositions of Deft. Helena Chemical Co., filed.	59
7-11-75	MOTION to Vacate Pltf. Notice of Taking Depositions; and Alternative Motion to Stay Pltf's Taking of Depositions of Defts. Dawson Chemical Co., Inc., Crystal Manufacturing Corp., and Crystal Chemical Co., Inc., filed. M/D 7-21-75	60
7-21-75	Pltf. RESPONSE to Motion to Vacate Pltf. Notice of Taking Depositions and Alternative Motion to Stay Pltf. Taking of Deposition of Defts. Dawson Chemical Co., Crystal Chemical Co., and Crystal Manufacturing Corp., filed.	61
4-13-76	SUPPLEMENTAL MEMORANDUM of Deft Helena Chemical Co. in Support of Motion for Summary Judgment, filed.	62
4-26-76	Answer to 2nd Suppl. Memo. of Deft Helena Chem. Co., returned to Al Deaton for signature.	
4-26-76	ANSWER of Pltf to SECOND SUPPLEMENTAL MEMORANDUM of Deft Helena Chemical Co., filed.	63
4-29-76	REPLY of Deft Helena Chemical Co. to Pltf's Answer to Second Supplemental Memorandum of Deft Helena Chemical Co., filed.	64
5- 5-76	SUPPLEMENTARY MEMORANDUM of Defts Dawson Chemical Co. and Crystal Chemical Co., on Motion for Summary Judgment, filed.	65
JUL 2 1976	Referred by Order of the Court to the U. S. Magistrate for Consideration and recommended action.	

O V E R

ROHM & HAAS CO., vs DAWSON CHEMICAL CO., et al

CA 74-H-790 CARL O. BUE, JR. [illegible] W. BLACK

DATE	PROCEEDINGS	Date O Judgmt
8-10-76	(COB) MEMORANDUM & OPINION, filed. a/n, rlo 1. Pltf. Motion for partial summary judgment-DENIED 2. Defts. Motions for Partial summary judgment-GRANTED in part & DENIED; 3. Defts. Motions for Protective Orders-DENIED except 4. Deft. Helena's Motion to quash notices of deposition to Jerry A. Williams and J. C. Blue-GRANTED	66
8-26-76	Pltf's NOTICE to Take Depositions Defts Dawson Chemical Co., Crystal Chemical Co., and Crystal Mfg. Corp., on 9-28-76, filed.	67
8-26-76	Pltf's NOTICE to Take Deposition of Deft Helena Chemical Co., on 9-30-76, filed.	68
9- 3-76	MOTION for Reconsideration of the Court's Decision Not to Dismiss Pltf's Complaint of Defts Dawson Chemical Co., Crystal Manufacturing Corp., and Crystal Chemical Co., filed.M/D 9-27-76	69
9- 3-76	MEMORANDUM in Support of Motion for Reconsideration of the Court's Decision Not to Dismiss Pltf's Complaint of Defts Dawson Chemical Co., Crystal Manufacturing Corp., and Crystal Chemical Co., filed.	70
9-13-76	MOTION for Reconsideration of the Court's Decision Not to Dismiss Pltf's Complaint and Alternative Motion for Order for Immediate Appeal Under 28 USC 1292(b), filed. M/D 10-4-76	71
9-13-76	MEMORANDUM in Support of Motion for Reconsideration of the Court's Decision Not to Dismiss Pltf's Complaint and Alternative Motion for Order Under 28 USC 1292(b), filed.	72
9-15-76	MOTION of Deft Helena Chemical Co., for Stay of Depositions Until Resolution of Pending Motions for Reconsideration, filed. M/D 10-4-76	73
9-17-76	Pltf's CROSS-MOTION for an Order Permitting an Immediate Appeal Under 28 USC 1292(b) Without a Stay of Discovery, filed. M/D 10-4-76	74
9-17-76	Pltf's MEMORANDUM in Support of Its Cross-Motion and in Opposition to Defts' Motions for Reconsideration and to Deft Helena Chemical Co's Motion for an Immediate Appeal of the Court's Refusal to Dismiss the Complaint and for a Stay of Discovery, filed.	75

CARL O. BUE, JR.

CIVIL DOCKET CONTINUATION SHEET

PLAINTIFF	DEFENDANT	CA 74-H-790 DOCKET NO.
ROHM & HAAS CO.	DAWSON CHEMICAL CO., et al	PAGE ___ OF ___ PAGES

DATE	NR.	PROCEEDINGS
9-17-76	76	REPLY MEMORANDUM of Defts Dawson Chemical Co., Crystal Mfg. Corp., and Crystal Chemical Co., filed.
11-11-76	77	Pltf's NOTICE to Take Deposition of Defts Dawson Chemical Co., Crystal Chemical Co., and Crystal Manufacturing Corp., on 12-14-76, filed.
11-11-76	78	Pltf's NOTICE to Take Deposition of Deft Helena Chemical Co., on 12-16-76, filed.
11-23-76	79	(COB) MEMORANDUM & ORDER, filed. a/n, rlo 1. Defendants Motion for Reconsideration of the Court's Decision of 8-10-76-GRANTED 2. Plaintiff's cause should be DISMISSED w/o prej. 3. All pending motions-DENIED as moot. 4. This Court's decision of 8-10-76 to decline dismissal (Memo & Opinion 8-10-76)-WITHDRAWN and this memo & order substituted.
1-23-76	89	(COB) FINAL JUDGMENT, filed. a/n, rlo
12-16-76	90	Plaintiff's NOTICE OF APPEAL from the Court's Order entered on November 23, 1976, filed.
12-16-76	91	Plaintiff's COST BOND ON APPEAL (Lawyers Surety Corporation), filed.
12-23-76	92	Joint Notice of Appeal (defendants), filed.
2-29-76	93	Appellant's COST BOND on Appeal (Cash Deposit of $250.00), filed.
1-28-77	94	Record on Appeal consisting of all original papers mailed to Fifth Circuit Court of Appeals.
8-28-79	95	Certified copy of JUDGMENT by Court of Appeals dated 7-30-79 and issued as MANDATE on 8-24-79 Ordering that Judgment of District Court is REVERSED and REMANDED in accordance with Opinion of Court of Appeals and it is further ORDERED that deft-Appellees pay pltf.-Appellant the cost on Appeal, filed.
8-28-79	96	Certified copy of OPINION by Court of Appeals, filed.
8-28-79	97	Bill of Costs by Court of Appeals, filed.
8-28-79		Record on Appeal RETURNED by Court of Appeals.

DC-111A REV. (1/75)

PLAINTIFF	DEFENDANT	CA 74-H-790
ROHM & HAAS CO.	DAWSON CHEMICAL CO., et al	DOCKET NO. ——— PAGE ___ OF ___ PAGES

DATE	NR.	PROCEEDINGS
9- 7-79	98	(COB) ORDER to Disburse Cash Bond for Costs on Appeal, filed. P/n. mac
9-14-79	99	MOTION of pltf-appellant for Bill of Costs in the District Court and 5th Circuit Court of Appeals, filed. mgc
9-14-79	100	BILL OF COSTS, filed. mgc ($1,494.19)
~~9-18-79~~	~~101~~	~~Pltfs MOTION TO AMEND and Supplement the Pltfs First amended and Supplemental Complaint, filed.mgc~~
9-18-79	101	Defts OPPOSITION to Motion for Bill of Costs, filed. mgc DD 9-19-79
9-21-79	102	Pltfs REPLY to Opposition to Motion for Bill of Costs, filed. mgc
9-25-79	103	Pltfs SECOND AMENDED and SUPPLEMENTAL COMPLAINT, filed. mgc
9-25-79	104	(COB) ORDER, filed. Parties ntfd.mgc Re: Pltf Motion for Bill of Costs. 1. Responses due Oct. 22, 1979 2. Additional Responses due Oct. 29, 1979 3. Submission date Nov. 5, 1979
9-1-79	105	Notification re: Change of Address for atty in charge in behalf of Helena Chemical Co., filed. mgc
10-10-79	106	SECOND AMENDED ANSWER and COUNTERCLAIM of Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co., filed.mgc
10-12-79	107	SECOND AMENDED ANSWER and COUNTERCLAIM of Helena Chemical Co., filed. mgc
10-22-79	108	Pltfs REPLY to Counterclaim of Dawson Chemical Co., Crystal Manufacturing Corp and Crystal Chemical Co., filed. mgc
10-22-79	109	Defts Dawson Chemical Co, Crystal Chemical Co., and Crystal Manufacturing Co., REQUEST FOR PRODUCTION of Documents, filed. mgc
10-29-79	110	Pltfs REPLY to Second Amended Answer and Counter-Claim of Helena Chemical Co., filed. mgc
11-2-79	111	REQUEST by deft Helena Chemical Co. for Production of Documents, filed. mgc
11-5-79	112	(COB) ORDER following motion conference, filed. mgc Appearances: All Deaton f/pltf. 1. Pltfs Motion for Bill of Costs - GRANTED;($1,425.03) 2. Pltfs counsel only attends. 3. Defts Counsel (Conley) does not oppose. 4. Defts Counsel (Pravel) did not appear.

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY, a corporation

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY, corporations,

Defendants.

FIRST AMENDED AND SUPPLEMENTAL COMPLAINT

Plaintiff, for its first amended and supplemental complaint against defendants alleges:

1. Plaintiff, Rohm and Haas Company (hereinafter "Rohm and Haas"), is a corporation organized and existing under the laws of the State of Delaware with its principal place of business at Independence Mall West, Philadelphia, Pennsylvania 19105.

2. Defendant, Helena Chemical Company, is a corporation organized and existing under the laws of the State of Arkansas, it is licensed to do business and it is doing business in the State of Texas where it has regular and estab-

lished places of business at El Campo, Conroe and Katy, State of Texas, within this Judicial District.

3. Defendants, Dawson Chemical Company, Inc. and Crystal Manufacturing Corporation are corporations organized and existing under the laws of the State of Texas. Crystal Chemical Company, Inc. is a corporation organized and existing under the laws of the State of Florida and it is licensed to do business and it is doing business in the State of Texas. Dawson Chemical Company, Inc. and Crystal Manufacturing Corporation, on information and belief, are subsidiaries of

[33]

Crystal Chemical Company, Inc. All three of these corporations have regular and established places of business at North Post Oak Road and at Rogerdale Road in the City of Houston, State of Texas and within this Judicial District.

4. On June 11, 1974, United States Patent No. 3,816,092 was duly and legally issued to Harold F. Wilson and Dougal H. McRae for an invention in a method for selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop (hereinafter the "Wilson patent"). Rohm and Haas is and has been the sole owner of the Wilson patent since its issuance.

COUNT I

5. This Court has jurisdiction over Count I of the present action because it is a suit for patent infringement arising under the Patent Laws of the United States, 28 U. S. C. § 1338(a); and defendants have regular and established places of business in this Judicial District where they have committed and are committing many of the acts

of infringement hereinafter alleged, 28 U. S. C. § 1400(b).

6. Defendants have heretofore sold and offered for sale the chemical compound 3,4-dichloropropionanilide (hereinafter "propanil") and have actively induced and are continuing to induce purchasers thereof to practice the methods now claimed in the Wilson patent and to proceed with preparations to continue the practice of such infringing activities in the future. On information and belief, defendants have been aware for more than a year of the pendency of the application for the Wilson patent and the presence therein of patentable claims covering the methods of use recommended by defendants to their customers and practiced by said customers pursuant to defendants' recommendations. Notwithstanding the issuance of the Wilson patent and knowledge by defendants of its issuance, defendants have

[34]

continued these activities, within this Judicial District and elsewhere, and purchasers and users of defendants' propanil have directly infringed the Wilson patent and are being urged by defendants to continue such infringing activities. Direct infringement by defendants' customers and users of their propanil pursuant to defendants' recommendations and urgings has occurred within this Judicial District and elsewhere *inter alia* on June 11, 12, 13, 19, 20 and 21, 1974. Defendants are therefore actively inducing others directly to infringe the Wilson patent. Defendants are also contributorily infringing the Wilson patent by selling propanil for use in practicing the patented process, knowing that it constitutes a material part of the invention of the Wilson patent, and is especially made or especially adapted only for the use claimed in the Wilson patent. Said

product is not a staple article or commodity of commerce suitable for substantial non-infringing use.

7. Rohm and Haas has been and will continue to be damaged by defendants' afore-mentioned infringing acts, and said damages are of a continuing and proliferating nature.

COUNT II

8. This Court has jurisdiction over Count II of the present action because it seeks a declaratory judgment to settle an actual controversy between the parties hereto with respect to acts taking place within this Judicial District, 28 U. S. C. §§ 2201 and 2202, and it arises under the Patent Laws of the United States, 28 U. S. C. § 1338(a). Defendants are residents of the Southern District of Texas, 28 U. S. C. § 1391(c).

9. Defendants have heretofore sold propanil together with instructions and recommendations to purchasers and users thereof that it be used solely in the method now

[35]

patented in the Wilson patent. At defendants' urging and with their knowledge, purchasers and users of defendants' propanil practiced the method now claimed in the Wilson patent pursuant to these instructions and recommendations. On information and belief, defendants' aforesaid sales, instructions and recommendations were with the knowledge that Rohm and Haas had pending in the United States Patent Office an allowed claim covering the only use of propanil recommended by defendants to their customers and users with knowledge that the Wilson patent had issued.

10. Defendants now have in their possession, within this Judicial District and elsewhere, substantial quantities

of propanil for sale packaged and labeled with instructions to purchasers and users thereof to employ it in a manner which necessarily infringes the claims of the Wilson patent. Moreover, defendants have made and are now making preparations to manufacture or purchase additional quantities of said material and to advertise and otherwise induce purchasers to employ said material to infringe the Wilson patent. Defendants are offering and intend to continue to offer such propanil for sale. Use of defendants' propanil in the manner recommended by defendants on their labels and instructions would directly infringe the Wilson patent and defendants' intended sales and recommendations would constitute active inducement of infringement of said patent. Such use by defendants' customers and users of their propanil has occurred within this Judicial District and elsewhere *inter alia* on June 11, 12, 13, 19, 20 and 21, 1974. Moreover, sale of defendants' propanil would constitute contributory infringement of the Wilson patent because propanil constitutes a material part of the invention claimed in the

[36]

Wilson patent, propanil is especially made or especially adapted only for use in an infringement of said patent, and propanil is not a staple article or commodity of commerce suitable for substantial non-infringing use.

11. Defendants' proposed and threatened sale of propanil and their proposed and threatened active inducement of infringement and contributory infringement of the Wilson patent by such sale will cause irreparable damage to plaintiff and will continue unless enjoined by this Court.

12. An actual justiciable controversy thus exists between the parties hereto with respect to whether the aforesaid continued sales of propanil and recommendations by defen-

dants will constitute an active inducement of infringement and contributory infringement of the Wilson patent.

WHEREFORE, Rohm and Haas prays for:

AS TO COUNT I

A. A preliminary and final injunction against further infringement of the Wilson patent by defendants and those controlled by or in active concert with them;

B. The costs of this action, and such other relief as the Court may deem just and the circumstances warrant;

AS TO COUNT II

C. A declaration that continued sales of propanil by defendants would constitute an active inducement of infringement and a contributory infringement of the Wilson patent;

D. A preliminary and final injunction to prevent defendants from directly or indirectly participating in any infringement of the Wilson patent; and

E. The costs of this action and such other

[37]

relief as the Court may deem just and the circumstances warrant.

Respectfully submitted,

CRAIN, WINTERS, DEATON, JAMES & BRIGGS

By /s/ JAMES C. WINTERS
JAMES C. WINTERS
1009 San Jacinto Building
Houston, Texas 77002
713+236-0860

Attorneys-in-Charge for Plaintiff Rohm and Haas Company

Of Counsel:

MICHAEL J. WOOD
CRAIN, WINTERS, DEATON, JAMES & BRIGGS
ARTHUR G. CONNOLLY
JANUAR D. BOVE, JR.
RUDOLF E. HUTZ
CONNOLLY, BOVE & LODGE

Farmers Bank Building
Wilmington, Delaware 19899
302+658-9131

• • • •

[57]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,

Defendants.

FIRST AMENDED ANSWER AND COUNTERCLAIM OF DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION AND CRYSTAL CHEMICAL COMPANY

NOW COME Defendants Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company, and in answer to the Complaint say:

1. The allegations of paragraph 1 of the Complaint are admitted.

2. These defendants have insufficient knowledge upon which to form a belief as to the allegations of paragraph 2 of the Complaint, and therefore such allegations are denied.

3. The allegations of paragraph 3 of the Complaint are admitted, except that neither Dawson Chemical Company nor Crystal Chemical Company has "Inc." in its corporate name.

4. In answer to the allegations of paragraph 4 of the Complaint, these defendants admit that United States Patent No. 3,816,092 (the "Wilson patent") was issued on June 11, 1974 on the application of Harold F. Wilson and Dougal H. McRae, and that plaintiff Rohm & Haas Company ("Rohm and Haas") is and has been the sole owner of the said patent since its issu-

[58]

ance. Defendants deny that such patent was duly and legally issued, and that it covers an invention.

5. In answer to paragraph 5 of the Complaint, these defendants admit that jurisdiction and venue are proper under the statutes set forth, however these defendants deny that they have committed or are committing any acts of infringement as alleged.

6. These defendants admit that Crystal Chemical Company ("Crystal") has heretofore sold and offered for sale the chemical compound 3, 4-dichloropropionanilide ("propanil") in containers which are marked with instructions for the use of propanil for the control of weeds in rice fields. These defendants further admit that they have been aware for more than a year of the pendency of the application for the Wilson patent and that Rohm and Haas was seeking in such application to patent claims covering methods of use recommended by Crystal to its customers and practiced by said customers pursuant to such recommendation. These defendants further admit that since June 17, 1974, these defendants have known that United States Patent No. 3,816,092 was issued on June 11, 1974. These defendants further admit that after the issuance of the

Wilson patent Crystal is still selling and offering for sale the chemical compound propanil in containers which are marked with instructions for its use to control the growth of weeds in rice fields. Other than as specifically admitted, the allegations of paragraph 6 of the Complaint are denied.

7. The allegations of paragraph 7 of the Complaint are denied.

8. The allegations of paragraph 8 of the Complaint are admitted.

[59]

9. In answer to paragraph 9 of the Complaint these defendants admit that Crystal has sold propanil to purchasers with instructions and recommendations for use in controlling the growth of weeds in rice fields, and that purchasers and users thereof used the propanil in that manner. Defendants further admit that they have been aware for more than a year of the pendency of the application for the Wilson patent and that Rohm and Haas was seeking in such application to patent claims covering methods of use recommended by Crystal to its customers and practiced by said customers pursuant to such recommendations. Defendants further admit that they have known since June 17, 1974 that United States Patent No. 3,816,092 had issued on June 11, 1974. Other than as specifically admitted, the allegations of paragraph 9 of the Complaint are denied.

10. In answer to paragraph 10 of the Complaint, these defendants admit that Crystal now has in its possession, within this judicial district and elsewhere, substantial quantities of propanil for sale packaged and labeled with instructions to purchasers and users thereof to employ it to control the growth of weeds in rice fields. These defendants further admit that Crystal has made and is now mak-

ing preparations to manufacture additional quantities of propanil and to advertise and seek purchasers of said material. These defendants further admit that Crystal is offering and intends to continue to offer such propanil for sale. These defendants further admit that propanil sold by Crystal has been used in this Judicial District since June 11, 1974, but have no knowledge of the special dates of such use. Other than as specifically admitted, the allegations of paragraph 10 of the Complaint are denied.

[60]

11. The allegations of paragraph 11 of the Complaint are denied.

12. The allegations of paragraph 12 of the Complaint are admitted.

13. The Wilson patent is invalid and of no force or effect.

14. Rohm and Haas is estopped to contend that the Wilson patent has such scope that it covers the methods used by customers of Crystal.

15. Propanil is a commodity of commerce suitable for substantial uses which do not infringe the Wilson patent.

16. Neither Dawson Chemical Company nor Crystal Manufacturing Corporation makes, sells or offers to sell propanil in any form or for any purpose.

17. The Wilson patent is unenforceable because Rohm and Haas has misused it, in that Rohm and Haas has sold propanil with an implied license to purchasers of propanil from Rohm and Haas to use the method covered by the claims of the Wilson patent, and at the same time has refused to grant licenses to use the method which will allow licensees to purchase propanil from others, even though propanil itself is unpatented, thereby tying the grant of a

license to the purchase of the unpatented material and attempting to monopolize the market in the unpatented material.

18. The Wilson patent is unenforceable because Rohm and Haas has misused it, in that for at least two years prior to the issue of the Wilson patent representatives of Rohm and Haas coerced distributors into refusing to purchase propanil from anyone but Rohm and Haas by the threat that uncooperative distributors would be cut off from a supply after the patent issued.

[61]

Counterclaims

1. This is an action for violation of the Antitrust Laws of the United States, Title 15 U. S. C. Sections 1, 2 and 14. This court has jurisdiction of the subject matter of this action pursuant to Title 28 U. S. C. Section 1337.

2. For many years prior to the issue of the Wilson patent and continuing to the present, both Rohm and Haas and Crystal have manufactured and sold propanil for use in controlling the growth of weeds in rice fields, a use which Rohm and Haas contends infringes the Wilson patent. Propanil itself is not patented, the patent thereon having been held invalid in litigation in which Rohm and Haas and Crystal were accused of infringement, and having been dedicated to the public by the patent owner, Monsanto Company.

3. No other chemical is known which will effectively compete with propanil in the control of weeds in rice fields, so propanil is in much demand by rice farmers.

4. On information and belief, for two years or more prior to the issue of the Wilson patent representatives of Rohm and Haas told propanil distributors that Rohm and

Haas was going to get a patent on the use of propanil to control weeds in rice, and warned such distributors that after the patent issued Rohm and Haas would favor those distributors who had, prior to the issue of the patent, purchased propanil only from Rohm and Haas and who had refused to purchase from Crystal or other suppliers of propanil. As a result of this coercion, on information and belief some distributors entered into agreement with Rohm and Haas that they would purchase propanil only from Rohm and Haas, even before the Wilson patent issued. On information and belief,

[62]

before Monsanto Company dedicated to the public the patent which covered propanil, some distributors were coerced into agreeing to purchase propanil only from Monsanto or Rohm and Haas. On information and belief, this resulted from an agreement between Monsanto and Rohm and Haas to divide the market in propanil between them, using Monsanto's patent, which was declared invalid, and Rohm and Haas' hoped-for future patent, as a lever to exclude others from the market. As a result of such agreements and actions, Crystal was foreclosed from a substantial share of the market in propanil before the Wilson patent was issued, and is still foreclosed from a substantial share of the market, whereby Crystal has suffered injury and will continue to suffer injury unless such agreements and actions cease.

5. Rohm and Haas has stated to Crystal that it will grant licenses under the Wilson patent only to users who purchase propanil made by Rohm and Haas, and that such licenses extend only to the use of the propanil made by Rohm and Haas. Rohm and Haas refuses to grant licenses under which users will be licensed to practice the patented process with propanil made or supplied by Crystal or other

competitors of Rohm and Haas. Thus, Rohm and Haas has tied the granting of a license under the Wilson patent to the purchase of propanil from Rohm and Haas, has restrained trade in propanil, and has attempted to establish a monopoly in propanil, all of which has caused and will continue to cause injury to Crystal.

6. The total annual retail market in propanil in interstate commerce in the United States is, on information and belief, about $14,000,000.00, of which market Rohm and Haas has about one-half, so that the amount of interstate commerce which is affected by Rohm and Haas' actions is not insubstantial.

[63]

7. Rohm and Haas intends to monopolize the sale of propanil, an unpatented chemical, in the United States, and to utilize its patent on a method of use of propanil to accomplish such monopolization by tying licenses under the patent to sales of propanil. Such acts by Rohm and Haas will, if allowed to continue, substantially eliminate competition and tend to create a monopoly in the sale of propanil, thereby causing substantial injury to Crystal.

8. The aforesaid acts of Rohm and Haas constitute violations of Sections 1 and 2 of the Sherman Act, Title 15 U. S. C. Sections 1 and 2, and Section 3 of the Clayton Act, Title 15 U. S. C. Section 14, for which Crystal should recover damages and an injunction.

WHEREFORE, defendants Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company pray:

1. That the Complaint herein be dismissed.

2. That the Court decree the Wilson patent to be invalid and unenforceable, and that defendants jointly or singly

have not infringed, induced infringement of, or contributorily infringed said patent.

3. That the Court grant an injunction enjoining Rohm and Haas and any of its privies from further asserting, contending, claiming or alleging that the sale of propanil by any defendant constitutes infringement, inducement of infringement or contributory infringement.

4. That they be awarded their costs and attorneys' fees in this suit and such other and further relief as to this court may seem just and proper.

Defendant Crystal Chemical Company further prays:

[64]

5. That the court decree that Rohm and Haas has entered into agreements in restraint of trade in violation of Section 1 of the Sherman Act, Title 15 U. S. C. Section 1, and award compensatory damages to Crystal for such violation.

6. That the court decree that Rohm and Haas has attempted to monopolize the sale of propanil in the United States in violation of Section 2 of the Sherman Act, Title 15 U. S. C. Section 2, and award compensatory damages to Crystal for such violation.

7. That the court decree that Rohm and Haas is guilty of tying arrangements in violation of Section 3 of the Clayton Act, Title 15 U. S. C. Section 14, and award compensatory damages to Crystal for such violation.

8. That the damages awarded for violations of the Antitrust Laws be trebled.

9. That the court grant an injunction enjoining Rohm and Haas and any of its privies from hereafter performing

or threatening or seeking to perform any of the acts found to be in violation of the Antitrust Laws.

BUTLER, BINION, RICE, COOK & KNAPP

By /s/ JOHN L. McCONN, JR.
John L. McConn, Jr.
Attorney in Charge

NED L. CONLEY
ELLIOTT COX

Attorneys for Defendants
1101 Esperson Buildings
Houston, Texas 77002
(713) 224-6711 — Ext. 295

CERTIFICATE OF SERVICE (OMITTED)

* * * *

[90]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,

Defendants.

REPLY TO COUNTERCLAIM OF CRYSTAL CHEMICAL COMPANY

Defendants have filed two papers entitled "Answer and Counterclaim of Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company" and "First Amended Answer and Counterclaim of Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company". Although so captioned, the allegations of the counterclaim (which is identical in each paper) and its prayers for relief indicated that it was filed only on behalf of Crystal Chemical Company. The following Reply to the Counterclaim is directed to the counterclaim stated in each paper and is based on this understanding.

Plaintiff, Rohm and Haas Company, for its Reply to the

Counterclaim of Crystal Chemical Company (hereafter "Crystal Chemical"):

1. Admits that Crystal Chemical purports to plead an action for violation of the Antitrust Laws, Title 15, U. S. C. Sections 1, 2 and 14 and that this Court has jurisdiction but denies that any such violation has occurred;

[91]

2. Admits the averments of paragraph 2 except that it is without knowledge or information sufficient to form a belief as to the truth of the averment that for many years Crystal has manufactured and sold propanil;

3. Denies the averments of paragraph 3 except that it admits that propanil is in much demand by rice farmers;

4. Denies the averments of paragraph 4;

5. Denies the averments of paragraph 5 except that it admits that it has advised Crystal Chemical and other suppliers of propanil that no license under the Wilson patent is available to them at the present time;

6. It is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 6;

7. Denies the averments of paragraph 7;

8. Denies the averments of paragraph 8;

9. Plaintiff's present licensing policy concerning the Wilson patent is expressly sanctioned by the provisions of Title 35 U. S. C. § 271(d).

WHEREFORE, plaintiff denies that Crystal Chemical is entitled to the relief prayed for in the counterclaim, or to any relief, prays that the counterclaim be dismissed

with costs and reasonable attorney fees; and prays that the relief sought in the complaint be granted.

CRAIN, WINTERS, DEATON, JAMES & BRIGGS

By /s/ JAMES C. WINTERS
James C. Winters
1009 San Jacinto Building
Houston, Texas 77002
(713) 236-0860

Attorneys-in-Charge for Plaintiff Rohm and Haas Company

Of Counsel:

Michael J. Wood
CRAIN, WINTERS, DEATON, JAMES & BRIGGS

Arthur G. Connolly
Januar D. Bove, Jr.
Rudolf E. Hutz

CONNOLLY, BOVE & LODGE
Farmers Bank Building
Wilmington, DE 19899
(302) 658-9141

• • • •

[118]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY, a corporation,

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY, corporations,

Defendants.

ANSWERS BY DEFENDANT HELENA CHEMICAL COMPANY TO PLAINTIFF'S INTERROGATORIES (FIRST SET)

NOW COMES, HELENA CHEMICAL COMPANY and answers Plaintiff's Interrogatories (First Set), as follows, using the same numbers for the answers as for the interrogatories:

* * *

[122]

Interrogatory No. 12: Does defendant deny that is has infringed (whether directly or contributorily or by active inducement) any claim of the Wilson patent? If the answer is other than an unqualified negative, identify the claims defendant admits it has infringed and as to the remainder

of the claims, state the complete basis for the answer given including, without limitation, as to each claim:

(a) identify the composition, product or article made, used, sold or offered for sale by defendant since June 11, 1974 which contains propanil, to which the denial pertains:

(b) quote the precise language in the claim which allegedly does not properly describe the composition, product, or article or does not

[123]

properly describe the method by which the product, composition or article is used and provide the proper description alleged to conform correctly to the composition, product, article or process;

(c) describe any tests or observations conducted by defendant leading to the denial of infringement and describe the circumstances thereof;

(d) identify each document which relates, reflects or refers to the basis for each denial and any tests or observations conducted by or on behalf of defendant which relate to the denial; and

(e) identify the individual(s) who firm concluded there was no infringement and the individual(s) most familiar with the factual basis for the denial.

Answer to Interrogatory No. 12: Since Plaintiff does not contend claims 4, 5 and 7 of the Wilson patent are infringed by Helena, no answer is required as to those claims.

As to claims 1-3, 6 and 8-12, Helena denies infringement.

(a) Helena Brand Propanil-3.

Helena Brand Propanil-4.

(b) Not applicable.

(c) None.

(d) None.

(e) Attorneys for Helena concluded there was no infringement on the basis of the invalidity of the Wilson patent because of Plaintiff's misuse thereof, and other grounds hereinafter set forth.

• • •

[131]

HELENA CHEMICAL
COMPANY

By: /s/ J. Charles Blue
President

STATE OF TENNESSEE
COUNTY OF SHELBY

Notary for J. Charles Blue, President of Helena Chemical Company — stated under oath that the foregoing "Answers by Defendant Helena Chemical Company to Plaintiff's Interrogatories (First Set)" are true and correct to the best of his knowledge.

[132]

CERTIFICATE OF SERVICE (OMITTED)

[135]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY a corporation,

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, et al

Defendant

ANSWERS BY DAWSON CHEMICAL COMPANY CRYSTAL MANUFACTURING CORPORATION AND CRYSTAL CHEMICAL COMPANY TO PLAINTIFF'S INTERROGATORIES TO DEFENDANT'S (FIRST SET)

Defendants, Dawson Chemical Company and Crystal Manufacturing Corporation have not since June 11, 1974 made, used, sold or offered for sale any product which contains propanil, nor have they taken part in any of the other acts as to which inquiry is made in the interrogatories. Accordingly the answers of those Defendants are in the negative to each of the interrogatories, and all the answers hereinafter set forth are the answers of Crystal Chemical Company only.

• • •

[142]

20. When did defendant or someone acting in its behalf first learn that Rohm and Haas had pending in the United States Patent Office a patent application containing claims embracing a method of using propanil as a post emergent, selective herbicide?

ANSWER: June, 1968.

21. When did defendant or someone acting in its behalf first learn that Rohm and Haas had pending in the United States Patent Office a patent application containing allowed claims embracing a method of using propanil as a post emergent, selective herbicide?

ANSWER: June, 1968.

22. When did defendant or someone acting in its behalf first learn of United States patent application SN. 96,089 filed March 16, 1961 and the pendency therein of allowed claims embracing a method of using propanil as a post emergent, selective herbicide?

[143]

ANSWER: June, 1968.

• • •

[155]

By s/ .....
Joe C. Eller, President of
Crystal Chemical Company,
Dawson Chemical Company,
and Crystal Manufacturing
Corporation

[156]

IN THE STATE OF TEXAS }
COUNTY OF HARRIS }

BEFORE ME, the undersigned authority on this the 15th day of October, 1974, personally appeared Joe C. Eller, known to me to be the person who signed the foregoing instrument, and, being duly sworn, stated to me that the answers set forth therein are true, to the best of his knowledge and belief.

s/ W. W. VARDEMAN
Notary Public in and for
Harris County, Texas.

CERTIFICATE OF SERVICE

(OMITTED)

[182]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

PLAINTIFF ROHM AND HAAS COMPANY'S RESPONSE TO DEFENDANT CRYSTAL CHEMICAL COMPANY'S INTERROGATORIES (FIRST SET)

Plaintiff Rohm and Haas Company responds as follows to defendant Crystal Chemical Company's interrogatories (first set), said interrogatories having been modified pursuant to the Procedural Stipulation between the parties:

1. Identify all documents evidencing any agreement between plaintiff and any other person, firm or corporation relating to the marketing of propanil.

2. Identify all documents evidencing any agreement between plaintiff and any distributor, purchaser or user of propanil relating to the marketing of propanil.

3. State whether plaintiff has ever made any oral agreement with anyone, other than its employees, concerning the marketing of propanil, and if so, state whom the agreement

[183]

was with, when it was made, and the names of plaintiff's personnel knowledgeable about such agreements.

Response to Interrogatories 1-3

As presently advised, plaintiff has made no oral agreements concerning the marketing of propanil. In lieu of the identification requested in interrogatories 1-2, the documents will be produced for inspection and copying in accord with the conditions set forth in the concurrently filed response to defendant Crystal Chemical Company's request for production.

4. State whether or not plaintiff is aware of any use for propanil which does not infringe the Wilson patent.

5. If the answer to the preceding interrogatory is other than an unqualified negative, state, as to each such use, the period or periods of time during which propanil was so used, the place where the propanil was so used, and who the individuals were who made such use of propanil and identify the individuals most knowledgeable of the answer to this interrogatory; and identify all documents which relate, reflect or refer to the facts stated in answer to this interrogatory.

Response to Interrogatories 4 and 5

No.

6. State whether since June 11, 1974 anyone in the United States has requested, either orally, in writing, or

by any other means, a license from plaintiff under the Wilson patent.

Response to Interrogatory 6

Yes.

[184]

7. If the answer to the preceding interrogatory is in the affirmative, as to each such request state:

(a) the name of the person who made such a request;

(b) the date of the request;

(c) the type of license which was requested;

(d) the response to such request which was given by plaintiff; and

(e) identify the individuals most knowledgeable of the answers to the foregoing interrogatory subparts and identify all documents which relate, reflect or refer to the facts stated in such answers.

Response to Interrogatory 7

A) On June 18, 1974, Mr. Charles Blue, President of Helena Chemical Company, telephoned Mr. Ronald Cheves, Area Marketing Manager for Agricultural Chemicals at Rohm and Haas, and in the course of this conversation he asked if licenses (type unspecified) under the Wilson patent were available. Mr. Cheves referred Mr. Blue to Connolly, Bove & Lodge. The individuals most knowledgeable are those identified above. The only document known to exist is an internal Connolly, Bove & Lodge memo written by Januar D. Bove, Jr., Esq. on June 18, 1974 which document is deemed privileged by reason of the work product doctrine.

B) On June 18, 1974, Mr. Charles Blue, President of Helena Chemical Company, telephoned trial counsel for plaintiff, Rudolph E. Hutz, Esq. of Connolly, Bove & Lodge, Wilmington, Delaware. In the course of this conversation, Mr. Blue inquired if licenses (type unspecified) were available under the Wilson patent and was advised that at the present time no licenses would be granted. The most knowledgeable individuals are those identified above and the only document known to exist is an internal Connolly, Bove & Lodge memo written by Rudolph E. Hutz, Esq. on June 18, 1974 which document is deemed privileged by reason of the work product doctrine.

[185]

C) On June 19, 1974, Ned L. Conley, Esq., trial counsel for defendants Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company, telephoned trial counsel for plaintiff, Rudolf E. Hutz, Esq. of Connolly, Bove & Lodge, Wilmington, Delaware. In the course of this conversation, Mr. Conley asked if licenses (type unspecified) were available under the Wilson patent and was advised that at the present time no licenses would be offered. The most knowledgeable individuals are those identified above. The only document known to exist is an internal Connolly, Bove & Lodge memo written by Rudolf E. Hutz, Esq. on June 19, 1974 which document is deemed privileged by reason of the work product doctrine.

D) On August 2, 1974, Januar D. Bove, Jr., Esq. and Rudolf E. Hutz, Esq. of Connolly, Bove & Lodge, Wilmington, Delaware, trial counsel for plaintiff, met with Ned L. Conley, Esq. and B. R. Pravel, Esq., trial counsel for defendants. During the meeting, Messrs. Conley and Pravel

mentioned the possibility of a license (type unspecified) under the Wilson patent and were advised that at the present time no licenses were available. The most knowledgeable individuals are those identified above. The only document known to exist is an internal Connolly, Bove & Lodge memo written by Januar D. Bove, Jr., Esq. and Rudolf E. Hutz, Esq. on August 6, 1974 which document is deemed privileged by reason of the work product doctrine.

E) On August 27, 1974, S. Leslie Misrock, Esq. of the firm of Pennie & Edmonds, 330 Madison Avenue, New York, NY made a general inquiry concerning the availability of licenses (type unspecified) under the Wilson patent. The request was directed to George W. F. Simmons, Esq., Assistant Secretary of Rohm and Haas and Manager of the Patent Department. Mr. Simmons responded that at the present time no licenses were available. No documents respecting this request are known to exist. Mr. Misrock is presumed to be the most knowledgeable concerning the request.

[186]

F) On or about September 9, 1974, Rohm and Haas Company received an undated letter purporting to be from John R. Denison of Iowa, LA. The most knowledgeable person about this letter reading:

"Rohm & Haas Company
Agricultural Chemical Division
Independence Mall West
Philadelphia, Pa. 19105

Gentlemen:

I would like to have a license under your U.S. Patent No. 3,816,092 to use Propanil on my rice fields.

Please let me know on what terms you will grant a license.

Very truly yours,

John R. Denison
Rt. 1 Box 34
Iowa, La. 70647"

is believed to be Ned L. Conley, Esq. The only documents known to plaintiff referring to this letter are a) a letter dated September 11, 1974 from Januar D. Bove, Jr., Esq. to J. Fay Hall, Esq., General Counsel of Rohm and Haas and b) an internal memo of Connolly, Bove & Lodge written by Rudolf E. Hutz, Esq. dated September 10, 1974 which documents are deemed privileged under the work product and attorney-client doctrines. On advice of counsel, and because the letter was not a bona fide request for a license — but rather a sham and pretext designed by counsel for defendant Crystal Chemical Company — no response has been or will be made.

8. Identify all agreements between plaintiff and Monsanto Company relating to or arising out of Interference No. 93751 in the United States Patent Office, and identify the

[187]

individual or individuals most knowledgeable about any such agreements and the negotiations leading up to them.

Response to Interrogatory 8

The only agreement between Rohm and Haas and Monsanto relating to or arising out of Interference No. 93,751 is the agreement filed in the United States Patent Office on January 15, 1973 pursuant to 35 U.S.C. §135(c). A

copy will be made available to counsel for defendant Crystal Chemical Company pursuant to the conditions of the concurrently filed response to defendant Crystal Chemical Company's request for documents.

The most knowledgeable individuals concerning the agreement are J. Fay Hall, Esq., General Counsel for Rohm and Haas Company, and Robert J. Whitesell, Vice-President of Rohm and Haas Company.

9. State whether, prior to June 11, 1974, any representative of plaintiff made any statement to any prospective purchaser or user of propanil concerning the expected issue of the Wilson patent.

Response to Interrogatory 9

Yes.

10. Identify each communication between plaintiff and its sales representatives and marketing personnel which refers to uses for propanil.

Response to Interrogatory 10

As presently advised, none.

[188]

11. State whether plaintiff is aware of any proposed use for propanil other than in the method covered by the claims of the Wilson patent; and, if the answer is other than an unqualified negative, state where, when and by whom all such proposals have occurred, and identify all documents which relate, reflect or refer to the facts stated and the persons most knowledgeable of such facts.

Response to Interrogatory 11

No.

12. State whether plaintiff sells propanil in the United States for use by rice growers in the United States.

Response to Interrogatory 12

Yes.

13. If the answer to the preceding interrogatory is in the affirmative, state whether plaintiff recommends such propanil be used by rice growers for controlling the growth of weeds in rice fields.

Response to Interrogatory 13

Yes.

[189]

ROHM AND HAAS COMPANY

By /s/ GEORGE W. F. SIMMONS

STATE OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

GEORGE W. F. SIMMONS, being duly sworn, deposes and says that he is Assistant Secretary of the plaintiff, Rohm and Haas Company, in the present action; that the foregoing response to interrogatories are answered by him as an officer of plaintiff; that said responses are based upon information received by him from the records and employees of plaintiff or upon knowledge obtained by him during the term of his employment; that to the best of his knowledge and belief said responses are true and complete.

/s/ GEORGE W. F. SIMMONS

Sworn to and subscribed before me this 14th day of October 1974.

/s/ LILLIAN A. RAGO
Notary Public
LILLIAN A. RAGO
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires December 14, 1974

[190]

CERTIFICATE OF SERVICE (OMITTED)

[193]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

STIPULATION

The parties hereto, by and through their respective attorneys, hereby stipulate for all of the purposes of this proceeding only as follows:

1. This Court has jurisdiction of the parties and subject matter, and venue is proper.

2. On June 11, 1974, United States Patent 3,816,092 issued to Harold F. Wilson and Dougal H. McRae (hereinafter the "Wilson patent"). Rohm and Haas Company

(hereinafter "Rohm and Haas") is and has been the sole owner of the Wilson patent since its issuance. The Wilson patent contains the following claims:

"1. A method for selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop, which comprises applying to said area 3, 4-dichoropropionanilide at a rate of application which inhibits growth of said undesirable plants and which does not adversely affect the growth of said established crop."

"2. The method according to claim 1 wherein the 3, 4-dichloropropionanilide is applied in a composition comprising 3, 4-dichloropropionanilide and an inert diluent therefor at a rate of between 0.5 and 6 pounds of 3, 4-dichloropropionanilide per acre."

"3. The method according to claim 1 wherein most of the undesirable plants are destroyed by 3, 4-dichloropropionanilide applied thereto without substantial adverse effect on the crop growing therewith."

[194]

"6. The method according to claim 2 wherein the established crop is monocotyledonous."

"8. The method according to claim 2 wherein the undesirable plants include monocotyledonous."

"9. The method according to claim 2 wherein the undesirable plants include dicotyledenous plants."

"10. The method according to claim 2 wherein the established crop is a grain crop."

"11. The method according to claim 2 wherein the undesirable plants include barnyardgrass."

"12. A method for selectively inhibiting the growth of growing, tender, undesirable, annual plants which are susceptible to 3,4-dichloropropionanilide, said undesirable plants growing in an area containing an established monocotyledonous crop which is resistant to 3,4-dichloropropionanilide, which comprises applying to said undesirable plants a composition comprising 3, 4-dichloropropionanilide and an inert carrier therefor at a rate of application which inhibits growth of said undesirable plants and which does not substantially effect the growth of said established monocotyledonous crop."

3. Both before and after June 11, 1974, the issue date of the Wilson patent, defendants have sold formulations containing 3, 4-dichloropropionanilide, which is also known as "propanil". After they were served with the Complaint in this suit, such sales were with knowledge of the Wilson patent. Both before and after June 11, 1974, purchasers of defendants' propanil formulations have carried out in this country the method described on the labels attached hereto as Exhibits 1-6. Defendants knew when they sold their propanil formulations that such formulations would be used by purchasers in carrying out the methods described on those labels. Defendants are continuing and intend to continue the making and/or selling and offering of propanil formulations for sale in this country with the same recommendations and instructions. Defendants, however, contend that the Wilson patent is invalid and unenforceable, and that defendants are not liable as infringers or contributory infringers.

[195]

4. Based upon the representations of defendants that they have recommended the use of their propanil products

only for controiling weeds in rice crops, plaintiff does not charge infringement of either claim 4, 5 or 7 of the Wilson patent.

5. Rohm and Haas makes and sells the chemical compound, 3, 4-dichloropropionanilide, known as propanil, in various formulations in this country, with instructions to use the propanil in carrying out the steps of the Wilson patent in suit 3,816,092. Purchasers of the Rohm and Haas propanil formulations in this country are impliedly licensed by operation of law to use the method of the Wilson patent. Each of defendants have requested a license under the Wilson patent. Rohm and Haas stated in reply to such requests that it has no present intention of granting a license under the Wilson patent to any of defendants or to propanil users, except with purchases of propanil from Rohm and Haas, which have implied licenses by operation of law. To date, Rohm and Haas has not granted a written license to anyone under the Wilson patent, and it does not intend at the present time to grant such a license. Rohm and Haas has never received any payment from its propanil customers who use the Wilson patent method other than the purchase price of the propanil.

6. In a suit by Monsanto Company against Rohm and Haas for patent infringement, Monsanto's Patent 3,382,280 claiming the chemical compound, 3, 4-Dichloropropionanilide *per se,* was held invalid. Propanil and the various formulations of it presently sold by Rohm and Haas are unpatented chemicals.

[196]

7. Defendants represent that the only products containing propanil sold by them, since the issuance of the Wilson patent, are the products described in the six labels

attached hereto and that sales of such propanil products have been made in containers bearing such labels.

PRAVEL & WILSON

By /s/ B. R. PRAVEL
B. R. Pravel
2010 Marathon Building
Houston, Texas 77002
713-224-2020

Attorneys for Helena Chemical Company

CRAIN, WINTERS, DEATON, JAMES & BRIGGS

By /s/ JAMES C. WINTERS
James C. Winters
1009 San Jacinto Building
Houston, Texas 77002
713-236-0860

Attorneys for Plaintiff

BUTLER, BINION, RICE, COOK & KNAPP

By /s/ NED L. CONLEY
Ned L. Conley
1100 Esperson Buildings
Houston, Texas 77002
713-224-6711

Attorneys for Dawson Chemical Company, Inc., Crystal Manufacturing Corporation and Crystal Chemical Company, Inc.

[197]

EXHIBITS 1-6 (OMITTED AND REPRODUCED IN SEPARATE VOLUME)

[222]

IN THE
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

DEFENDANT DAWSON CHEMICAL COMPANY'S CRYSTAL MANUFACTURING CORPORATION'S and CRYSTAL CHEMICAL COMPANY'S MOTION FOR SUMMARY JUDGMENT

Defendants Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company, hereinafter referred to as Defendant Crystal Chemical Co., move the Court to enter, pursuant to Rule 56 of the Federal Rules of Civil Procedure, a summary judgment in Defendant Crystal Chemical Co. favor dismissing the claims alleged in Count I of the complaint on the ground that there is no genuine issue as to any material fact and that Defendant Crystal Chemical Co. is entitled to judgment as a matter of law.

Defendant Crystal Chemical Co. would show that Plaintiff is the owner of a method patent and grants licenses under said method patent only to purchasers from Plaintiff of the unpatented chemical product used in the practice of Plaintiff's patented method, while at the same time Plaintiff refuses

[223]

to grant licenses to purchasers from Defendant Crystal Chemical Co. of the same unpatented chemical product and sues Defendant Crystal Chemical Co. for contributory infringement seeking injunctive relief to prevent Defendant Crystal Chemical Co. from making and selling the said unpatented chemical product, which acts constitute a scheme and pattern of conduct to extend the economic effect and limited monopoly of Plaintiff's method patent and therefore constitute misuse by Plaintiff of Plaintiff's method patent, which misuse renders Plaintiff's said method patent unenforceable and requires this court to dismiss Plaintiff's Count I and in view of Plaintiff's withdrawal of Count II by the Procedural Stipulation filed in this action on October 31, 1974, requires summary judgment in favor of Defendant Crystal Chemical Co.

This motion is based upon:

(a) The pleadings on file in this action,

(b) Plaintiff Rohm and Haas Company's Response to Defendant Crystal Chemical Company's Interrogatories (First Set),

(c) The agreed to facts set forth in the Stipulation filed in this action on October 30, 1974, and

(d) The attached Memorandum in Support of Defendants Dawson Chemical Company's, Crystal Manu-

facturing Corporation's and Crystal Chemical Company's Motion for Summary Judgment.

In accordance with Local Rule 16F, counsel for the Defendant Crystal Chemical Co. states that they are of the view that oral argument on the foregoing motion is

[224]

desirable and therefore request that this motion be set for oral hearing.

Respectfully submitted,

BUTLER, BINION, RICE, COOK & KNAPP

By /s/ JOHN L. McCONN, JR.
John L. McConn, Jr., Attorney in Charge
Ned L. Conley
Elliott Cox

Attorneys for Defendant Crystal Chemical Co.
1100 Esperson Building
Houston, Texas 77002
(713) 237-3188

/llm

• • • •

[263]

IN THE
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

PLAINTIFF ROHM AND HAAS COMPANY'S MOTION FOR SUMMARY JUDGMENT

Plaintiff Rohm and Haas Company ("Rohm and Haas") moves the Court to enter a partial summary judgment striking the defense of patent misuse pursuant to Rule 56, F. R. Civ. P. since there is no genuine issue as to any material fact and Rohm and Haas is entitled to such relief as a matter of law.

Specifically, Rohm and Haas moves the Court to strike the defense that United States patent 3,816,092 (the Wilson patent) has been misused and is unenforceable because Rohm and Haas has sold the chemical 3, 4-dichloropropion-anilide (propanil) for use in the process patented by the Wilson patent but has refused to license defendants to sell propanil for such use.

The ground for this motion is that the undisputed facts of record established that propanil is not a staple article or commodity of commerce suitable for substantial noninfringing use. Consequently unlicensed sale of propanil by defendants or others is

[264]

contributory infringement of the Wilson patent as defined by 35 U. S. C. § 271 (c). Rohm and Haas as the patent owner has the right to sell propanil for the patented use and to refuse expressly to license defendants and others to infringe its Wilson patent. Such acts do not constitute patent misuse or illegal extension of monopoly under the controlling case law and statute 35 U. S. C. § 271 (d).

In the alternative, should the Court find that a genuine issue of material fact is raised by Rohm and Haas' main motion, Rohm and Haas moves the Court nonetheless to declare that if at trial propanil is found not to be a staple article or commodity of commerce suitable for substantial noninfringing use, Rohm and Haas' sales of propanil for use in the process patented by the Wilson patent and its refusal expressly to license defendants and others to sell propanil for such use is not patent misuse but is sanctioned under the controlling statute, 35 U. S. C. § 271(d).

Respectfully submitted,

CRAIN, WINTERS, DEATON, JAMES & BRIGGS

By /s/ JAMES C. WINTERS
James C. Winters
1009 San Jacinto Building
Houston, Texas 77002
(713) 236-0860

Attorneys-in-Charge for Plaintiff Rohm and Haas Company

Of Counsel:

MICHAEL J. WOOD
CRAIN, WINTERS, DEATON, JAMES & BRIGGS

ARTHUR G. CONNOLLY
JANUAR D. BOVE, JR.
RUDOLF E. HUTZ
CONNOLLY, BOVE & LODGE
Farmers Bank Building
Wilmington, DE 19899
(302) 658-9141

[265]

NOTICE OF SUBMISSION

Please take notice that the above Motion for Summary Judgment will be submitted to the Court on Monday, December 16, 1974, at 10:00 A. M. or as soon thereafter as counsel may be heard.

/s/ JAMES C. WINTERS
James C. Winters
Attorney for Plaintiff, Rohm and Haas Company

CERTIFICATE OF SERVICE (OMITTED)

• • • •

[316]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

REPLY MEMORANDUM BY DEFENDANTS DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, AND CRYSTAL CHEMICAL COMPANY IN SUPPORT OF THEIR MOTION FOR SUMMARY JUDGMENT AND IN OPPOSITION TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT

TO THE SAID HONORABLE COURT:

Defendants do not contend that the owner of a method patent must license the patent in order to avoid patent misuse. But if he does choose to license it, he must do so in such a way as to avoid illegal extension of the patent monopoly. When Rohm and Haas sells propanil with an implied license to use the patented method, it has chosen to grant licenses under the patent. Having so chosen, it

is bound to conduct its licensing policy in such a way as to avoid economic control of the unpatented material. By its refusal to grant any licenses under the patent except with its own sales of the unpatented material, Rohm and Haas is attempting to extend the scope of its method patent to a monopoly over the unpatented material. Under the authorities this constitutes misuse of the patent.

Rohm and Haas ignores, in its argument that it is only doing what is permitted by 35 U.S.C. 271(d), the fact that it is

[317]

doing one thing is not mentioned anywhere in 271(d): it is tying the grant of a license under its patent to the purchase of the unpatented material. Neither the authorities relied upon by plaintiff nor any other authority condones such activity. To this extent, at least, the doctrine of the *Mercoid* cases (*Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 and 320 U.S. 680, 1944) has continued vitality. At lease the Supreme Court still thinks so. Note that in *United States* v. *Loew's Inc.*, 371 U.S. 38 (1962) the Court cited *Mercoid* and like cases in support of its reiteration of the doctrine that a patentee who utilizes tying arrangements will be denied relief against infringements of its patent (page 46 of 371 U.S.):

> "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles."

Further, in the Second *Aro* case, *Aro Manufacturing Co.* v. *Convertible Top Co.*, 377 U.S. 476 (1964) the court noted, at page 508, that on the authority of *Mercoid* and

other cases a patentee cannot be allowed to derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used.

More recently in *Zenith Radio Corp.* v. *Hazeltine Research Inc.*, 395 U.S. 100 (1969) the court stated, at page 136:

> "Among other restrictions on him, he [the patentee] may not condition the right to use his patent on the licensee's agreement to purchase, use, or sell, or not to purchase, use, or sell, another article of commerce not within the scope of his patent monopoly".

In the face of such authority plaintiff has retreated to the argument that this case is different because, plaintiff

says, the unpatented material in this case is not a staple article of commerce, so that plaintiff's activities fall within the scope of § 271(d), and that for this reason alone plaintiff should be excused from the attempted monopoly of propanil. For the purpose of this motion we may assume, although defendants do not agree, that propanil is not a staple. However, as will be shown, the court decisions simply do not support plaintiff's view. Defendants are aware of no case in which such activities have been held to be condoned by § 271(d) solely because the monopolized material or article was a non-staple.

Rohm and Haas argues that the activities which were condemned in the *Mercoid* cases are now expressly condoned by the wording of the statute, 35 U.S.C. 271(d). However, it is apparent that the statute falls short of the mark. The statute merely declares that it shall *not* be misuse for a patentee to perform acts, or to license others to

perform acts, which if committed by another would be contributory infringement, and to sue others for contributory infringement. But the essence of the patentee's offense in the *Mercoid* cases was the tying of the license to use the patented combination to the sale of one of the elements. This tying in factor is not excused in 271(d). Furthermore, although several court decisions, including those cited by Rohm and Haas, have intimated that 271(d) did effect some change in the law of misuse as set forth in Mercoid, none of these decisions, not even those cited by Rohm and Haas, has concluded that tying as condemned in *Mercoid* is now excused. As a matter of fact, substantially every court decision which has, since the enactment of 271(d), ruled on a tying situation, has held that such activity constitutes misuse. As stated by the 10th Circuit

Court of Appeals in *McCullough Tool Company* v. *Well Surveys Inc.*, 343 F.2d 381 (1965), at page 406:

> "The law in this area is no longer open to question. It has been held in a long line of patent cases that a patentee who utilizes a so-called 'tying arrangement' will be denied all relief against infringement of his patent." (Citing pre-1952 as well as post-1952 Supreme Court and Courts of Appeal cases).

The *McCullough* case involved the granting of licenses by Well Surveys, Inc. (WSI) under WSI's radioactivity well logging patents, which licenses required the licensees to purchase from WSI the instruments necessary to conduct the patented well logging operations. The 10th Circuit Court of Appeals held that this finding by the lower court establishes the prohibited tying arrangement (page 407). The Court made no distinction between staples and

non-staples, although it seems certain the instruments were not staple items, since they were specifically designed to practice the patented operations.

Summary judgment on the basis of misuse was sought in *Sonobond Corp.* v. *Uthe Technology, Inc.,* 314 F.Supp. 878 (N. D. Calif. 1970), the defendant alleging that plaintiff's licensing policy was such as to induce licensees to buy unpatented components from the patentee. The defendant had been sued for contributory infringement for selling the unpatented component, so that the plaintiff patent owner must have considered the component to be a non-staple. The plaintiff patent owner took the position that Rohm and Haas takes here, that their activity was excused by § 271(d). However, the court held that this statute did not abrogate the doctrine of misuse. Summary judgment was refused because the court found that there was a fact issue as to whether the effect of the licenses was to induce licensees to buy the unpatented component. The parties have stipulated that no such fact issue exists in the present case.

[320]

The argument by Rohm and Haas is similar to that presented to a three judge court in *United States* v. *United States Gypsum Co.,* 134 F. Supp. 69 (D.C. D.C. 1955) reversed on other grounds, *United States Gypsum Co.* v *National Gypsum Co.,* 352 U.S. 457 (1957). In a previous decision by the court, reported at 124 F.Supp. 573 (1954) the court had enjoined prosecution of patent infringement actions by United States Gypsum Company (USG) because of USG's illegal patent licensing practices, such practices having been found to be illegal in a previous Supreme Court decision. USG took the position that §271(d) of Title 35 expressly protects the USG suits

against infringers from any defense of misuse on its part of its patents. The court held that Congress did not intend by 271(d) to give the patentee a protection superior to the broad public policy of the Antitrust Laws, and that USG's misuse was not excused by 271(d). As the court stated, USG was not "otherwise entitled to relief for infringement", as required by 271(d) because of its violation of the Antitrust Laws.

Despite plaintiff's protestations to the contrary, the cases relied upon by defendants in their Memorandum accompanying their Motion are also supportive of the continued vitality of the *Mercoid* rule, insofar as it applies to a fact situation like the present. *National Foam System Inc.* v. *Urquhart,* 202 F.2d 659 (3rd Cir. 1953) concerned a situation where, in addition to granting a license with the purchase of the unpatented material, Urquhart offered a separate license to consumers. However, this separate license was at such a high rate, as compared to the rate available when the unpatented material was purchased from Urquhart, that the patentee was "given Hobson's choice" (page 664). The court held that this had the same effect as not offering any alternative license at all, and that the patentee was therefore

[321]

guilty of misuse for, in effect, granting licenses only with the purchase of the unpatented material.

A similar situation was found to constitute misuse in *Ansul Co.* v. *Uniroyal, Inc.,* 448 F.2d 872 (2nd Cir. 1971). There, as here, the patent claim on the product had been held invalid, and the court stated, in a footnote at page 882, that if Uniroyal wished to avoid the charge of patent misuse it was obligated to license its patented use of the

unpatented product to those who wished to buy the product from other manufacturers.

The case of *Preformed Line Products Co.* v. *Fanner Manufacturing Co.*, 328 F.2d 265 (6th Cir. 1964) did not directly involve the tying of an unpatented product to the granting of a patent license, but instead was concerned with the tying of an unpatented product with a patented product. Thus in order to use the patented product (i.e., obtain a license to use it) it was necessary for the user to buy the unpatented product from the patent owner. The court held that this constituted an illegal tying arrangement, relying upon *Mercoid* and its predecessors.

An analysis of the foregoing cases makes it clear that § 271(d) does in fact excuse certain activities which previously were condemned as misuse under the Mercoid doctrine. Thus, the patent owner can now (1) grant licenses to others to make and sell the unpatented non-staple component of the patented invention, (2) make and sell such components itself, and (3) bring suit against those who without license make and sell the component. However, the patent owner cannot adopt a licensing scheme under which the only way that anyone can get a license is to buy the unpatented component from the patent owner himself.

[322]

Michael D. Nelson, in his article "Mercoid-Type Misuse is Alive", at 56 Journal of the Patent Office Society 134 (1974), a copy of which is attached hereto, has provided an excellent analysis of the precise question presented by the motions now before the court. He concludes that such a licensing plan, wherein a license under a patent is attached to the sale of an unpatented component, is lawful only if an alternative license is provided which would allow the licensee to purchase the unpatented component from an

independent source, the royalties under the alternative license not being unreasonably different from the royalties payable with the purchase of the component from the patent owner, and there being no discrimination between licensees which would tend to restrain trade of any unpatented product.

Plaintiff cites only two district court cases which it considers as authority for a contrary rule. However, plaintiff misconstrues both of these cases. In *Sola Electric Co.* v. *General Electric*, 146 F.Supp. 625 (Dist. Ill. 1956) the patentee did, notwithstanding plaintiff's statement to the contrary, grant licenses to other suppliers of the unpatented product, so that purchasers were not obligated to buy the unpatented component solely from the patentee in order to obtain a license. See pages 646 and 647. If Rohm and Haas would agree to grant such licenses, this case would become moot.

In *Harte and Co. Inc.* v. *L. E. Carpenter and Co.*, 138 U.S.P.Q. 578 (S.D.N.Y. 1963) the court's conclusion that there was no misuse resulted from the finding that the requirement that the rollers be purchased from the patent owner was due to the patent owner's skills and experience in the design field, and not to his ownership of the patent (page 584). There is no contention here that Rohm and Haas' propanil is any better than any one else's.

[323]

In the present case the defendants have offered to take a license, and now stand ready to take such a license. However, Rohm and Haas has steadfastly refused to even discuss the granting of a license to defendants or to anyone else unless they also buy the unpatented material from Rohm and Haas. Thus Rohm and Haas has refused to

follow a course of action which has been explicitly recognized as proper use of its patent, and which would be undoubtedly very profitable, since Rohm and Haas would profit from every gallon of propanil sold in the United States, instead of just the propanil which it sells. Instead, Rohm and Haas prefers, for reasons that we can only guess, to seek to monopolize the entire United States market in the unpatented propanil, by tying the sales of propanil to a license under the patent.

It is submitted that neither this scheme, nor any other scheme involving a tying arrangement, is a proper use of a patent. As stated by the Supreme Court in the *United States* v. *Loew's, Inc.*, supra, at page 49 of 371 U.S.:

> "Accomodation between the statutorily dispensed monopoly in the combination of contents in the patented or copyrighted product and the statutory principles of free competition demands that extension of the patent or copyright monopoly by the use of tying agreements be strictly confined. There may be rare circumstances in which the doctrine we have enunciated under Section 1 of the Sherman Act prohibiting tying arrangements involving patented or copyrighted tying products is inapplicable. However, we find it difficult to conceive of such a case, and the present case is clearly not one."

Respectfully submitted,
BUTLER, BINION, RICE, COOK & KNAPP

By .....
John L. McConn, Jr.
1100 Esperson Building
Houston, Texas 77002
(713) 237-3111/237-3188

Attorneys for Defendants,
Dawson Chemical Company, Crystal
Manufacturing Corporation,
Crystal Chemical Company, and
Helena Chemical Company

[324]

ATTACHMENT (OMITTED)

[333]

CERTIFICATE OF SERVICE (OMITTED)

[334]

IN THE
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

REPLY MEMORANDUM BY DEFENDANT HELENA CHEMICAL COMPANY IN SUPPORT OF THE MOTIONS FOR SUMMARY JUDGMENT BY DEFENDANTS AND IN OPPOSITION TO THE MOTION FOR SUMMARY JUDGMENT BY PLAINTIFF

Defendant Helena Chemical Company joins with the other Defendants in supporting the Motion for Summary Judgment in Favor of Defendants and in opposing the

Motion for Summary Judgment by Plaintiff. To avoid repetition by Defendant Helena Chemical Company with respect to the points already presented to this Court in the "Reply Memorandum" by the other Defendants, Defendant Helena Chemical Company (hereinafter referred to as "Helena") adopts and relies upon the law presented in such "Reply Memorandum". The following is supplemental to such "Reply Memorandum" and is submitted specifically on behalf of Defendant Helena.

A. THE CONTROLLING STIPULATED FACTS

The following are submitted to be the controlling stipulated facts filed in the "STIPULATION" on October 31, 1974:

1. Plaintiff makes and sells the chemical "propanil" which is unpatented (Stipulation, Par. 6).

2. The purchasers of such unpatented chemical from Plaintiff are impliedly licensed to use the method of the Wilson patent (Stipulation, Par. 5).

[335]

3. To date, Plaintiff has not granted a written license to anyone under the Wilson patent, and it does not intend at the present time to grant such a license (Stipulation, Par. 5).

4. Plaintiff does not receive any payment from its propanil customers other than the purchase price of the propanil (Stipulation, Par. 5).

5. Each of the Defendants has requested a license from Plaintiff under the Wilson patent, but Plaintiff has refused to grant such licenses to anyone, except to those customers of Plaintiff's who purchase the unpatented propanil from Plaintiff (Stipulation. Par. 5).

B. PLAINTIFF'S ATTEMPTED MONOPOLY IN THE SALE OF AN UNPATENTED CHEMICAL IS A MISUSE OF ITS PATENT ON THE METHOD

Summary judgment in favor of Defendants is proper in this case because the essential controlling facts are not in dispute, and such facts establish as a matter of law a misuse by Plaintiff which prevents any recovery by Plaintiff with respect to the Wilson patent.

A law note specifically dealing with the legal point involved appeared in the "Harvard Law Review", Volume 66, Pages 909-918 (1953), a copy of which is attached. The Court's attention is particularly directed to pages 916-918 because the analysis there presented pinpoints the error of Plaintiff.

The error in Plaintiff's position is that Plaintiff relies upon 35 U.S.C. 271(d)(1) which states, in substance, that a patent owner is not guilty of misuse when the patent owner derived revenue from an unpatented non-staple component of a patented method or combination. However, Plaintiff fails to recognize that Plaintiff has gone beyond such permissible acts because Plaintiff has attempted to monopolize the sale of the unpatented chemicals by refusing to license any except those who purchase the unpatented chemicals from Plaintiff. Thus, as stated on page 916 of the "Harvard Law Review" article, cited supra:

[336]

> "A monopolistic intent most clearly appears where, as in *Mercoid*, the patentee licenses only those who purchase the part from him."

Clearly, Plaintiff in the present case violates Section 2 of the Sherman Act which states that it is an antitrust violation to "monopolize" or "attempt to monopolize". An

attempt to use the Wilson patent in suit as a lever for a violation of the antitrust laws by seeking to obtain a monopoly in the sale of unpatented propanil is a misuse which is not permitted by 35 U.C.S. 271(d). As further stated in the "Harvard Law Review" article, cited supra, on page 917:

> "Nothing in the new section requires a court to condone explicit restrictions conditioning the issuance of licenses on agreements to purchase components from the patentee or his licensee, nor to sanction the use of contributory infringement suits as instruments to monopolize the non-staple parts market."

It is thus seen that Plaintiff's argument that there is no misuse because the unpatented chemical is a "non-staple" is likewise in error. In fact, unless the unpatented chemical is a "non-staple" (especially adapted for use in the method) there would be no contributory infringement and 35 U.S.C. 271(d) would not even be involved. Plaintiff can not stop anyone from selling non-staples under the contributory infringement doctrine. It is only when non-staples are involved that 35 U.S.C. 271(d) comes into play, so Plaintiff's argument that its misuse is excused on the basis of propanil being a non-staple is a non-sequitur.

Therefore, Plaintiff's attempt to monopolize the sale of the unpatented non-staple propanil (assuming that to be a non-staple as Plaintiff contends) is clearly an attempted illegal extension of the method claims of the Wilson patent in suit, and as such, completely bars Plaintiff from any relief until such misuse has been purged.

[337]

C. SUMMARY

Since there is no genuine issue as to any material fact, and Plaintiff is clearly guilty of a misuse by its attempt to monopolize the sale of unpatented propanil, the motions of Defendants for Summary Judgment should be granted and the motion of Plaintiff for Summary Judgment should be denied.

Respectfully,

PRAVEL & WILSON

By: B. R. PRAVEL
B. R. Pravel
PRAVEL & WILSON
600 Jefferson, Suite 2010
Houston, Texas 77002
(713) 224-2020

Attorneys for Defendant
Helena Chemical Company

Of Counsel:

ALLEN T. MALONE

CERTIFICATE OF SERVICE (OMITTED)

[338]

ATTACHMENT (OMITTED)

[386]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,

Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY, corporations,

Defendants.

SUPPLEMENTAL MEMORANDUM IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY DEFENDANT HELENA CHEMICAL COMPANY

Defendant Helena Chemical Company wishes to submit the following supplemental comments with respect to the Motion for Summary judgment filed by Helena Chemical Company and the corresponding Motion for Summary Judgment filed by the other Defendants.

1. ABA "ANTITRUST LAW DEVELOPMENTS"

The Court's attention is specifically called to the following sentence which appears on page 341 of the ABA "Antitrust Law Developments" (1975), and the authorities cited in support thereof:

> "And even when the sale of the component would be contributory infringement, the indication is that it would nevertheless be misuse for the patentee to refuse to license the combination patent (or a method patent) except on condition that the purchaser also buys the unpatented component (or raw material) from the patentee."

[387]

The above quotation is "on all fours" with the fact situation presented to the Court by this Motion for Summary Judgment. Here, the "component" is the propanil, the sale of which by Defendants should, for the purposes of this Motion, be considered a non-staple and therefore contributory infringement. The patent owned by the Plaintiff Rohm and Haas is a "method patent". Rohm and Haas has agreed that it would "refuse to license" the method patent "except on condition that the purchaser also buys the unpatented component (propanil) from the patentee" (Rohm and Haas).

It is to be noted that the statement by the ABA is made after a careful consideration of 35 U.S.C. § 271 and also the *Mercoid* case. Although such conclusion by the ABA is not court authority, it certainly is submitted to be highly persuasive in a situation such as this where there has been no court decision *subsequent* to the passage of the statute 35 U.S.C. 271 (d) which has been squarely confronted with these facts.

2. 35 U.S.C. 271(d) CANNOT LOGICALLY BE CONSTRUED TO PERMIT A PATENTEE TO USE A METHOD PATENT TO MONOPOLIZE THE SALE OF THE UNPATENTED CHEMICAL EMPLOYED IN THAT METHOD, WHETHER OR NOT THAT CHEMICAL HAS USES OTHER THAN IN THE PATENTED METHOD

Historically, the Federal Courts have been violently opposed to any extension of a patent owner's rights beyond the scope of the granted patent claims. For example, the court cases are legion with respect to prohibiting tying arrangements, wherein the patentee attempted to extend his patent monopoly by tying an unpatented item to a patented combination or method. See for example, *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27 (1931); *Leitch Mfg. Co.* v. *Barbour Co.*, 302 U.S. 458 (1938); *B. B. Chemical Co.* v. *Ellis*, 117 F.2d 829, 834 (1st Cir., 1941), affirmed 314 U.S. 495 (1942).

[388]

The following quotation from the United States Supreme Court decision in the *B. B. Chemical* case reflects accurately the rationale of the Federal Courts, and particularly the United States Supreme Court, in dealing with attempts to extend the patent rights (page 497 of 314 U.S.):

> "We may assume, for purposes of decision, that respondents' infringement did extend beyond the mere sale of the materials to the manufacturers. But in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the Morton Salt Company case, we hold that the maintenance of this suit to restrain any form of infringement is contrary to public policy, and that the district court rightly dismissed it.
>
> "It is without significance that, as petitioner contends, it is not practicable to exploit the patent rights by granting licenses because of the preferences of manufacturers and of the methods by which petitioner has found it convenient to conduct its business. The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant.

> "Despite this contention, petitioner suggests that it is entitled to relief because it is now willing to give unconditional licenses to manufacturers on a royalty basis, which it offers to do. It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated."

It is the position of Defendant Helena Chemical Company that the last paragraph quoted above from the *B. B. Chemical* case is highly pertinent to the present fact situation. The granting of the licenses to the Defendants with respect to the unpatented propanil would remove the Plaintiffs' misuse and antitrust violations, *and would entirely dispose of this case.* Plaintiff has not done so, but instead, like in the *B. B. Chemical* case, Plaintiff Rohm and Haas insists here that "relief is not to be denied the patentee no matter what his course of business" (Page 834 of 117 F.2d). That proposition has been strictly and forcibly rejected by the Federal Courts and the United States Supreme Court.

[389]

If it were not for the passage of 35 U.S.C. 271 (d) there would be no question but that the present practices of Plaintiff Rohm and Haas would be a clear misuse under the foregoing decisions. The passage of 35 U.S.C. 271 (d) raises two questions with respect to the present Motion for Summary Judgment filed by Defendants, as the Defendants see the situation.

First, did Section 271 (d) completely obliterate the misuse doctrine when there is a contributory infringement action such as was held to be a misuse in the *Mercoid* case? And (2) does the present fact situation come within 35

U.S.C. 271 (d) so as to allow Plaintiff Rohm and Haas to monopolize the sale of an unpatented chemical just because it is to be used in a patented method by others?

For the answer to the first question, reference is made to the language of the United States Supreme Court in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) which is generally referred to as "Aro II" wherein the Court made the following statement in connection with Section 271:

> "Congress enacted Section 271 for the express purpose of reinstating the doctrine of contributory infringement as it had been *developed by decisions prior to Mercoid,* and of overruling any *blanket invalidation of the doctrine* that could be found in the Mercoid opinions." (Underlining added)

It is interesting to note first that the *B. B. Chemical* case was a decision "prior to Mercoid" dealing specifically with the very fact situation which is present in this case.

It is believed abundantly clear from a reading of the legislative history of Section 271 and the above interpretation by the United States Supreme Court in Aro II that the purpose of Section 271 was to reinstate the doctrine of contributory infringement. By no stretch

[390]

of the imagination or interpretation, can it logically be construed that the intention was to permit a patent owner to *condition* and *tie* the sale of an unpatented non-staple to a license under a method patent. That kind of condition was expressly held to be a misuse by the United States Supreme Court in the *B. B. Chemical* case. The tieing arrangement becomes even clearer as in the present case, wherein Plaintiff grants licenses to purchasers of the propanil from Plaintiff Rohm and Haas, was an *implied license*

for re-sale to the ultimate users of the patented method. Whether the license is "expressed or implied" is immaterial in connection with the misuse of the patent, *Ansul Company* v. *Uniroyal, Inc.*, 306 F. Supp. 541, 558 (S.D. N.Y., 1969). In other words, Plaintiff Rohm and Haas in this case has done *more than* the acts permitted by Section 271 (d). Section 271 (d) permits a licensing to perform acts which would constitute contributory infringement, but it does not permit, nor state that it would not be a misuse or illegal extension of the patent right, to *condition* that *license* to the other party upon the purchase of an unpatented non-staple chemical from the patentee. That is the misuse or illegal extension of the patent right which has historically been condemned by the United States Supreme Court and certainly was not condoned by Section 271 (d).

As acknowledged by Plaintiff Rohm and Haas in "PLAINTIFF ROHM AND HAAS COMPANY'S MEMORANDUM IN OPPOSITION TO DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT AND IN SUPPORT OF ITS OWN MOTION FOR SUMMARY JUDGMENT", beginning at page 7 thereof, Rohm and Haas sells the propanil to its customers (implied licensees for re-sale) who automatically acquire the right to resell it. Although this fact was not stipulated, it is obviously admitted by Plaintiff and does not raise a

[391]

"genuine issue as to any material fact" which would defeat Defendants' Motions for Summary Judgment.

3. BECAUSE THE MONSANTO PATENT ON THE PROPANIL WAS SPECIFICALLY HELD INVALID AT THE HANDS OF PLAINTIFF ROHM AND HAAS, THE MISUSE BY PLAINTIFF IS EXCEPTIONALLY APPARENT

As previously pointed out, Plaintiff in this case was the Defendant in *Monsanto Company* v. *Rohm and Haas Company*, 456 F.2d 592 (3rd Cir., 1972), wherein the patent on the chemical propanil was specifically held invalid at the hands of Rohm and Haas Company. Now, Rohm and Haas is effectively trying to construe Section 271 (d) to give Rohm and Haas a monopoly in the very patent which the 3rd Circuit Court of Appeals has held to be invalid and unprotectable by the original inventor of that product, *Monsanto Company*. Certainly, it would be incongruous for Section 271 (d) to be construed to give Rohm and Haas a monopoly now in the chemical which has been declared by the Federal Courts to be *not subject to a patent monopoly*.

For the foregoing reasons, it is respectively submitted that logic, equity and the controlling case law clearly point to the conclusion that the activities of Plaintiff in this case are an illegal extension of the patent monopoly and a misuse. Such a holding would not deny Plaintiff its reasonable royalty from either the Defendants or from the users of the patented method and therefore, Plaintiff can receive its reward for its lawful patent monopoly in the method.

Respectfully,

PRAVEL & WILSON

By B. R. Pravel
B. R. Pravel

Of Counsel:
Allen T. Malone

Apperson, Crump, Duzane & Maxwell
100 North Main Building, Suite 2610
Memphis, Tennessee 38103

[392]

CERTIFICATE OF SERVICE (OMITTED)

[408]

In The
UNITED STATES DISTRICT COURT
For The Southern District of Texas
Houston Division

Civil Action No. 74-H-790

Rohm and Haas Company,
Plaintiff,

v.

Dawson Chemical Co., Inc.;
Crystal Manufacturing Corp.;
Crystal Chemical Co., Inc.;
and Helena Chemical Co.;
Defendants.

James C. Winters, Crain, Winters, Deaton, James & Briggs, Houston, Texas for plaintiff.

John L. McConn Jr., Butler, Binion, Rice, Cook & Knapp, Houston, Texas, for defendants Dawson Chemical Co., Inc., Crystal Manufacturing Corp. and Crystal Chemical Co., Inc.

B. R. Pravel, Pravel and Wilson, Houston, Texas, for defendant Helena Chemical Co.

MEMORANDUM AND OPINION

I. INTRODUCTION

In this suit for patent infringement of a combination patent plaintiff Rohm and Haas Company, as patent owner, alleges that defendant corporations have actively induced

and otherwise contributed to the direct infringement of a method or combination patent implemented in controlling weeds in rice crops. Defendants challenge plaintiff's right to relief contending that regardless of whether they have committed acts of infringement, Rohm and Haas is not entitled to relief because it has committed patent misuse in exploiting its patent.

Defendants Dawson Chemical Company. Crystal Manufacturing Corporation and Crystal Chemical Company have pursued the

[409]

defense of this action independently from defendant Helena Chemical Company. The Court is thus confronted with two sets of motions and briefs on every contention raised by the parties. For purposes of this interlocutory order, unless otherwise noted, the Court has concluded that the relative positions of the four defendants coincide.

Three motions presently are pending before this Court. Specifically, defendants move for dismissal of plaintiff's complaint on the ground that the undisputed facts in this cause establish patent misuse as a matter of law, since this defense acts as a complete bar to plaintiff's action. Plaintiff moves that the Court enter a partial summary judgment ruling that its conduct does not constitute patent misuse under 35 U.S.C. § 271(d). The parties submit, and the Court agrees, that sufficient undisputed facts exist to permit an interlocutory ruling as to whether plaintiff's exploitation of its combination patent constitutes patent misuse.

The Court concludes after carefully analyzing the undisputed facts, the briefs submitted by the parties and the wealth of authority pertinent to this perplexing interface between the patent laws and the public policy notions

undergirding our antitrust laws, that plaintiff's present licensing policy, if sanctioned by this Court, would constitute patent misuse. However, for reasons set out in Section V.B., *infra*, the Court has determined that the defendants' motions for partial summary judgment should be granted at this time only insofar as they seek an adjudication of the legality of plaintiff's monopolization of the sale of propanil, but should be denied to the extent that they seek dismissal of plaintiff's complaint. With the exception of the limitations set out in Section V.C.. *infra*, defendants' motions for protective orders are denied at this time.

[410]

II. MATERIAL FACTS

The following matters in this suit are not controverted:

1. Jurisdiction and venue are proper in this Court as to all parties and subject matter. 28 U.S.C. §§ 1338(a); 1400(b) and 35 U.S.C. § 271.

2. On June 11, 1974, United States Patent 3,816,092 issued to Harold F. Wilson and Dougal H. McRae (hereafter the "Wilson patent"). Rohm and Haas is and has been the sole owner of the Wilson patent since its issuance. The Wilson patent contains the following claims which are pertinent to this action:

> a. A method for selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop, which comprises applying to said area 3, 4-dichloropropionanilide at a rate of application which inhibits growth of said undesirable plants and which does not adversely affect the growth of said established crop.
>
> b. The method according to claim 1 wherein the 3, 4-dichloropropionanilide is applied in a composition

comprising 3, 4-dichloropropionanilide and an inert diluent therefor at a rate of between 0.5 and 6 pounds of 3, 4-dichloropropionanilide per acre.

c. The method according to claim 1 wherein most of the undesirable plants are destroyed by 3, 4-dichloropropionanilide applied thereto without substantial adverse effect on crop growing therewith.

d. The method according to claim 2 wherein the established crop is monocotyledonous.

e. The method according to claim 2 wherein the undesirable plants include monocotyledonous plants.

f. The method according to claim 2 wherein the undesirable plants include dicotyledenous plants.

g. The method according to claim 2 wherein the established crop is a grain crop.

h. The method according to claim 2 wherein the undesirable plants include barnyard grass.

[411]

i. A method of selectively inhibiting the growth of growing, tender, undesirable annual plants which are susceptible to 3, 4-dichloropropionanilide, said undesirable plants growing in an area containing an established monocotyledonous crop which is resistant to 3, 4-dichloropropionanilide, which comprises applying to said undesirable plants a composition comprising 3, 4-dichloropropionanilide and an inert carrier therefor at a rate of application which inhibits growth of said undesirable plants and which does not substantially affect the growth of said established monocotyledonous crop.

3. Both before and after June 11, 1974, the issue date of the Wilson patent, defendants have sold formulations containing 3, 4-dichloropropionanilide, which is also known as "propanil". After they were served with the Complaint

in this suit, such sales were with knowledge of the Wilson patent. Both before and after June 11, 1974, purchasers of defendants' propanil formulations have carried out in this country the method described on attached labels. Defendants knew when they sold their propanil formulations that such formulations would be used by purchasers in carrying out the methods described on those labels. Defendants are continuing and intend to continue the making, selling and offering of propanil formulations in this country with the same recommendations and instructions. Defendants, however, contend that the Wilson patent is invalid and unenforceable, and that defendants are not liable as infringers or contributory infringers.

4. Based upon the representations of defendants that they have recommended the use of their propanil products only for controlling weeds in rice crops, plaintiff does not charge infringement of either claim 4, 5 or 7 of the Wilson patent.

5. Plaintiff makes and sells the chemical compound, 3, 4-dichloropropionanilide, known as propanil, in various

[412]

formulations in this country, with instructions to use the propanil in carrying out the steps of the Wilson patent. Purchasers of the plaintiff's propanil formulations in this country are impliedly licensed by operation of law to use the method of the Wilson patent. Each of defendants has requested a license under the Wilson patent. In reply to these requests, plaintiff maintains that it has no present intention of granting a license under the Wilson patent to any of the defendants, or to any propanil users except purchasers of propanil from plaintiff, who enjoy implied licenses by operation of law. To date, plaintiff has not

granted a written license to anyone under the Wilson patent, and it does not presently intend to grant such a license. Plaintiff has never received any payment other than the purchase price from its propanil customers who employ the Wilson patent method.

6. In a suit by Monsanto Company against plaintiff for patent infringement, Monsanto's Patent 3,382,280 claiming the chemical compound, 3, 4-dichloropropionanilide *per se,* was held invalid. Propanil and the various formulations of it presently sold by plaintiff are therefore unpatented chemicals.

* * * * * *

The Court is aware of no opinion involving conduct which was factually congruent to the stipulated conduct of the parties to this action. Resolution of the question of patent misuse in this dispute is further complicated by broad language in the seminal opinion of *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661 (1944), which went beyond the facts confronting the Supreme Court in that opinion and threatened the continued vitality of the tort of contributory infringement in any context. In 1952 Congress enacted a new Patent Act codifying the three torts of patent infringement.

[413]

35 U.S.C. § 217(a-c) (1952). Paragraph (d) of § 271 sets out certain acts of a patent owner which are not barred by the doctrine of patent misuse.

None of the parties dispute the general rule that a patent cannot be exploited to monopolize unpatented articles. Plaintiff argues, however, that a narrow exception to this rule lies whenever the unpatented article is a nonstaple component possessing no substantial, noninfringing uses. Plaintiff supports this contention on four grounds. First, it argues that Congress, in enacting § 271(d), intended to overrule completely the Supreme Court's opinion in *Mercoid, supra.* Second, it argues that the clear language used in § 271(d) expressly sanctions the conduct of the plaintiff in this action. Third, it contends that the Supreme Court in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 377 U.S. 476 (1964), expressly concluded that § 271(c-d) overruled the result in *Mercoid.* Finally, plaintiff maintains that the only two opinions squarely on point which were decided subsequent to the enactment of § 271 both sanctioned extensions of patented combinations to unpatented, nonstaple components.

In addressing these contentions the Court first examines the doctrine of patent misuse as it was applied prior to the Supreme Court's decision in *Mercoid, supra.* Section III.A.1, *infra.* The Court next considers the facts in *Mercoid* as they compare to the facts *sub judice,* as well as the broad language in that opinion which has spawned considerable controversy. Section III.A.2-4, *infra.* In Section III.B., *infra,* the Court examines the language and the legislative history of § 271. Finally, the Court examines *Mercoid*-type misuse as it has been construed by the courts in the aftermath of § 271. Section III.C., *infra.*

III. THE PATENT MISUSE DOCTRINE

[414]

Defendants support their contention that plaintiff has misused its method patent in seeking to monopolize sales of unpatented components by relying primarily on a line of Supreme Court decisions culminating with *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661 (1944), and *Mercoid Corp.* v. *Honeywell Co.,* 320 U.S. 680

(1944) (hereinafter *Mercoid I and Mercoid II,* respectively). In arriving at the conclusion reached in this interlocutory ruling, the Court has found it necessary to study carefully this line of decisions.

A. Patent Misuse Prior to the Enactment of § 271(d)

1. Supreme Court Decisions Antedating Mercoid

The Supreme Court, in *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U.S. 520 (1917), relying for the first time on a rationale which was subsequently to form the basis of the misuse defense, denied relief to a patentee who tried to enforce a tying arrangement which required the purchaser of a patented motion picture machine to limit use of the machine to unpatented film purchased from the patentee. Without considering the scope of the defendant's infringement, the Court denied relief wholly on the basis of the inequitable conduct of the patentee.

In 1931, and again without ever reaching the questions of patent validity or infringement, the Supreme Court applied the patent misuse doctrine to bar a suit for contributory infringement filed by a patentee which had explicitly required that users purchase from its exclusive licensee dry ice used in its combination patent. *Carbice Corp. of America* v. *American Patents Dev. Corp.,* 283 U.S. 27 (1931). In his opinion for the unanimous Court Mr. Justice Brandeis stated:

> "[The patent owner] has no right to be free from competition in the sale of [refrigerant]. Control over the supply of
>
> **[415]**
>
> such unpatented material is beyond the scope of patentee's monopoly; and this limitation, inherent in the patent grant is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used." 283 U.S. 27, 33.

In *Leitch Mfg. Co.* v. *Barber Co.,* 302 U.S. 458 (1938), the Court extended the patent misuse doctrine to apply in a situation wherein the owner of a process patent limited the right to use the process to implied licensees who purchased unpatented bituminous emulsion from the patentee; no expressed licenses were granted. The Court characterized this attempt to monopolize the sale of an unpatented component as an "unauthorized extension of the [patent] monopoly." 302 U.S. at 463, which constituted misuse "whether the patent be for a machine, a product, or a process." *Id.*

In *Morton Salt Co.* v. *G. S. Suppiger Co.,* 314 U.S. 488 (1941), the Supreme Court upheld the trial court's action in granting summary judgement dismissing the complaint, without ruling on the issues of validity and infringement, holding that the patent owner's attempt to suppress competition in the marketing of unpatented salt tablets, specially made to fit the patented dispenser, was a misuse of the patent.

In *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495 (1941), decided the same day as *Morton Salt Co., supra,* the rule of *Carbice* and *Leitch* was applied to bar relief from indirect infringement by a defendant who sold unpatented component products specially made for use in a patented process for reinforcing shoe insoles; the component had no other substantial commercial use. The patentee sought to ovoid *Carbice and Leitch* by arguing that the patent misuse doctrine should be limited to situations in which the components supplied by the alleged contributory infringer were

staple articles of commerce. It argued that dry ice and bituminous coal were staple articles. The First Circuit Court of Appeals expressly

[416]

considered and rejected this argument, 117 F.2d 829, at 834, 835, holding that "[t]here is every indication that the *Carbice* and *Leitch* cases apply to specially designed articles". *Id.* In a unanimous opinion the Supreme Court affirmed; without discussing the staple versus non-staple component question, the Court simply held that "in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, . . . the maintenance of this suit to restrain any form of infringement is contrary to public policy. . . ." 314 U.S. at 498. It is not clear whether the staple versus non-staple distinction was ever raised before the Supreme Court, or whether it was considered and rejected as legally insufficient to justify extending the patented process to monopolize the supply of unpatented components.

Although implicitly sanctioned in *B. B. Chemical, supra,* patent misuse in the context of non-staple and unpatented components of a patented combination did not enjoy the expressed imprimatur of the Supreme Court until 1944, when it decided *Mercoid I* and *Mercoid II, supra.*

2. *The Mercoid Decisions*

The patentee in *Mercoid I* held a combination patent for a furnace stoker system; its exclusive licensee manufactured one essential component of the unit, a stoker switch, and the right to assemble and install the patented system was conditioned upon the purchase of this stoker switch.

The defendant, Mercoid Corporation, also manufactured these stoker switches which were exclusively designed for and usable in the patentee's stoker system. The defendant's customers were guilty of direct infringement whenever they installed the stoker system, and the Supreme Court assumed for purposes of its opinion that the defendant's stoker switch sales constituted contributory

[417]

infringement. Relief was denied, however, on the ground that the patentee's licensing scheme constituted patent misuse. The facts in *Mercoid II* were similar to those in *Mercoid I* except for the absence of any policy of granting express licenses exclusively to purchasers of the unpatented stoker switch. The Supreme Court held that the effect was the same, however, since restrictions on implied licenses constituted misuse, barring equitable relief.

Although the doctrine of patent misuse was firmly embedded in the jurisprudence of patent law well before the Supreme Court was confronted with the issues presented by the *Mercoid* cases, this equitable variation of "unclean hands" had never before been analyzed in a context wherein the Court focused on the fact that the "unpatented material or device [was] itself an integral part of the structure embodying the patent," 320 U.S. at 665, and "no use for the accused devices other than in the . . . combination patent" existed. *Id.* at 664. The Supreme Court concluded that "no difference in principle" existed between misusing a patent to monopolize materials employed or consumed in a machine or process, (such as dry ice, bituminous coal, salt tablets, or shoe insole materials), and misusing it to monopolize the supply of integral, albeit unpatented components. *Id.*

3. *Mercoid Contrasted with the Facts in this Action*

Two significant distinctions should be noted between the parties' conduct in *Mercoid* and the conduct at issue in the present case. First, the patent owner in *Mercoid* initially "granted and offered licenses to companies that would take them, including *Mercoid,* who refused". *Mid-Continent Inv. Co.* v. *Mercoid Corp.,* 133 F.2d 803, 810 (7th Cir. 1942). See also *Mercoid II, supra,* 320 U.S. at 683. Parties in the present case have stipulated that defendants

[418]

have requested licenses under the Wilson patent, and plaintiff has unequivocally stated that it has no intention of granting such licenses.[1] For this reason the patent misuse found in *Mercoid* applies *a fortiori* in the present context.

The second distinction lies in the conduct of the alleged infringers. The defendant in *Mercoid* was charged with selling stoker switches which contributed to the direct infringement of users of the plaintiff's patented combination. The defendants in this action are charged not only with contributing to direct infringement by its customers by supplying nonstaple propanil; they are also charged with the specific intent to induce direct infringement by labelling containers of propanil and otherwise actively encouraging others to infringe the Wilson patent. Although these two separate torts of indirect infringement are in many instances overlapping, *see* C. Miller, *Some Views on the Law of Patent Infringement by Inducement,* 53 J. PAT. OFF. SOC'Y 86, 98 (1971), the specific intent to cause direct infringement which is required in order to establish inducement is not a necessary element of contributory infringement. Likewise, the sale of a nonstaple article having no known noninfringing uses is not a necessary element of

the tort of inducement. *Id.* Thus, the total infringing effect if all of the elements of both of these torts are established is potentially greater in the present case than it was in *Mercoid.* Although defendants' conduct does not illume the question of whether plaintiff's conduct constitutes patent misuse, the Court has concluded, Section V.B., that the defendants' conduct might well affect the ultimate relief granted in this case.

4. *The Dictum in Mercoid I*

The *Mercoid* decisions severely restricted the well-established doctrine of contributory infringement. To the

[419]

extent that the Court had not previously acknowledged expressly that the principle in *Carbice* applied in the context of a non-staple component possessing no known noninfringing use, the defense of patent misuse reached a new milestone in the *Mercoid* decisions. Beyond that, however, the Supreme Court in sweeping dictum also cast a pale on the doctrine of contributory infringement in any context, regardless of whether the patentee's conduct constituted patent misuse.

> "The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider." 320 U.S. at 669.

This Court has concluded that when Congress enacted the Patent Act of 1952, the inclusion of § 271 was intended to mollify the potential effect that this dictum could have on the patent owner's ability to protect his property against contributory infringers in any context, whether or not he was seeking to monopolize the sale of unpatented articles.

This interpretation simply restores the remedy of contributory infringement as it was applied prior to *Mercoid.*

B. 35 U.S.C. §271

Section 271[2] represents the first congressional effort to codify the parameters of the common law doctrines of patent infringement. As stated before, it is generally accepted that § 271 was prompted by the *Mercoid* decisions.[3] However, it is somewhat more difficult to determine whether the substantive holding of *Mercoid* — that a combination patent may not be enforced against sellers of unpatented non-staple components possessing no known non-infringing uses — or whether the broad dictum in that decision precipitated the enactment

[420]

of § 271[4]. Based on a consideration of (1) the language of this section, (2) its legislative history, (3) its application by the courts, and (4) the post-1952 vitality of *Mercoid* in numerous opinions, this Court has concluded that the facts addressed by the Supreme Court in *Mercoid* would not mandate a different conclusion under § 271. This Court is further of the opinion that the patentee *sub judice,* by seeking to monopolize the sale of an unpatented component of its protected method without even attempting to license other manufacturers, is exploiting its patent in a manner which is less legitimate than the exploitation condemned by the Supreme Court in *Mercoid.* Section III. A. 3., *supra.*

Plaintiff submits that until substantial uses for propanil are discovered other than in plaintiff's patented method, plaintiff is entitled to monopolize the supply of this unpatented chemical compound. Plaintiff further contends that it has no obligation to alter its present "no licensing" policy until and unless such noninfringing uses for propanil

are discovered. Although defendants' direct or indirect infringement of plaintiff's patent presents no threshold inquiry in resolving the patent misuse issue, *see Morton Salt Co.* v. *G. S. Suppiger Co., supra,* 314 U.S. at 490, a brief consideration of the interrelation of the four paragraphs of § 271 is nevertheless necessitated by the plaintiff's contention.

Paragraph (a) of § 271 defines "direct infringement" as the using, making or selling of a patented invention. Paragraphs (b) and (c) codify two doctrines of indirect infringement: active inducement of direct infringement, and contributory infringement. Paragraph (d) sets out

[421]

three acts the commission of any one or more of which by a patentee seeking to protect and exploit his patent cannot be relied upon by an infringer as the sole basis for its defense of patent misuse.

1. *Emergence of the Doctrines of Indirect Infringement Embodied in Paragraphs (b) and (c) of 35 U.S.C. § 271*

The Constitution provides for Congress to promote "the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8. In accordance with this provision of the Constitution, Congress enacted the first patent act in 1790 which established the exclusive right of inventors to exploit their discovery. Patent Act of April 10, 1790, ch. 7, 1 Stat. 109. *See also* 35 U.S.C. § 154 (1952).

An early principle of the law of combination patents established that direct infringement would not lie unless

the combination in its entirety was used. *See Prouty* v. *Draper Ruggles & Co.*, 41 U.S. 335 (16 Pet.) (1841). It soon became apparent, however, that the doctrine of direct infringement was inadequate to protect effectively the patentee's invention.[5] Two distinct doctrines of indirect infringement therefore were developed to protect the inventor.

The doctrine of contributory infringement as it presently is codified in § 271(c) was recognized in the early case of *Wallace* v. *Holmes*, 29 F. Cas. 74 (No. 17,100) (C.C. Conn. 1871).[6] In this case, the defendant sold burners which had no known use except in the patentee's invention. The court concluded that the act of selling these burners constituted a 'virtual" infringement of the protected patent.

In *Bowker* v. *Dows*, 3 F. Cas. 1070 (No. 1734) (C. C. Mass. 1878), the court found liability for infringement in a context foreshadowing the indirect infringement doctrine of inducement. The defendant sold an unpatented component of the patentee's patented chemical compound. Unlike the burners in *Wallace, supra*, this chemical component had various commercial uses; however, the defendant advertised that the compound could be used in the particular manner claimed in the plaintiff's patent. The Court concluded that the defendant's act of encouraging infringement rendered him a joint tortfeasor.

Section 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer". It is quite clear from the language of this provision that the broad tort of infringement by inducement is not restricted in any way to unpatented component articles which lack any substantial non-infringing use. Liability for contributory infringement under section 271(c), on the other hand, is far more restrictive:

> "Whoever sells a component of a patented machine, manufacture combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially adapted for use in an infringement of such patent *and not a staple article or commodity of commerce suitable for substantial noninfringing use,* shall be liable as a contributory infringer." (Emphasis added)

Paragraphs (b) and (c) of § 271 codify the type of conduct which will give rise to a cause of action for indirect infringement of a patent. Neither of these paragraphs delineates or refers to conduct of a patentee that constitutes

patent misuse, which is the essence of the defendants' motion for partial summary judgment. Paragraph (d) is the only paragraph of § 271 which addresses the conduct of a patentee.[7]

2. *Patent Misuse Under § 271(d) of 35 U.S.C.*

Section 271(d) provides that:

> "[N]o patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

The plaintiff takes the position that the language of this provision expressly sanctions its licensing policy.

The Court notes three aspects of this provision which are immediately apparent before turning to legislative history or judicial construction. First, presuming actionable infringement, § 271(d) focuses solely on the conduct of the patent owner, and not the alleged infringer. Second, § 271(d) does not define conduct which equates to patent misuse; this paragraph simply sets out certain conduct which does *not* constitute patent misuse. Finally, § 271(d) does not limit or condition the conduct it describes on the staple or nonstaple nature of component articles of a combination patent. The only reference in § 271 to the staple or nonstaple nature of component articles can be found in paragraph (c), which focuses solely on conduct of an infringer that gives rise to an action for contributory infringement.

[424]

The Revisory Notes to § 271 state that paragraph (d) is ancillary to paragraphs (b) and (c). Provided that the patent owner successfully establishes that the defendant is guilty of either actively inducing or contributing to infringement, "[he] is not deemed to have misused his patent *solely* by reason of doing anything authorized by the section." *Id.* No combination of one or more of the three patent owner acts set out in § 271(d) can form the sole basis for a finding of patent misuse.

3. *Legislative History*

The intent of Congress with regard to the effect that § 271 should have on the result in the *Mercoid* decisions has been the subject of numerous commentaries.[8] During

the Senate debate, just before the bill was passed, Senator Saltonstall asked on the floor, "Does the bill change the law in any way or only codify the present patent laws?" Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, responded, "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). To the extent that this exchange represents a knowledgeable consideration of the substance of § 271, it would support the conclusion that the only purpose of this section was to prevent the total emasculation of the law of contributory infringement threatened by the dictum in *Mercoid*. This otherwise innocuous exchange bears repetition in this ruling not because of the insight that it represents or reveals, but rather, because this colloquy between Senators has been quoted by the Supreme Court on at least two separate occasions.[9]

A statement made by Mr. Giles S. Rich, the chief draftsman of the provisions on contributory infringement in § 271, was somewhat more reflective on the scope of patent

[425]

misuse contemplated or intended by Congress:

> "Mr. Rich . . . .
>
> "Other decisions following *Mercoid* have made it quite clear that at least some courts are going to say that *any effort whatever* to enforce a patent against a contributory infringer is in itself misuse . . . . Therefore, we have always felt — we who study this subject particularly — that to put any measure of contributory infringement into the law, you must, *to that extent and to that extent only,* specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d)."
>
> (Emphasis added)

Hearings before the Subcommittee of House Judiciary Committee on H.R. 3760, 82d Cong. 1st Sess. 161-162 (1951), *cited in Aro Mfg. Co.* v. *Convertible Top Co.,* 365 U.S. 336, 349, *note* 4 (1961) (Black, J., concurring) (*Aro I*).[10] "To that extent and to that extent only," this Court would concur that any dictum in *Mercoid* which can be construed to condemn as misuse "any effort whatever to enforce a patent against a contributory infringer" has been pre-empted by § 271(d). Section 271 assures the viability of contributory infringement actions, but it does not compel the overruling of the result in *Mercoid.*

4. *Conduct of Rohm and Haas Perceived Through the Lens of Section 271(d)*

As noted earlier, in enacting § 271(d), Congress, rather than attempting to define the parameters of the defense of misuse, sought instead to delineate three exceptions to this doctrine. It is not disputed that the first exception set out in § 271(d)(1) sanctions plaintiff's right to sell propanil, an act which this Court assumes for purposes of this ruling, would constitute contributory infringement if performed by another without plaintiff's consent. This act in and of itself therefore cannot constitute patent misuse, by statutory definition. Nor is it disputed that plaintiff,

[426]

under § 271(d)(2), has the right to authorize a third party by virtue of an implied license to resell the propanil for use in plaintiff's patented method.

Finally, it is clear that § 271(d)(3) eliminates the fear created by *Mercoid,* that the mere filing of a law suit alleging indirect infringement in and of itself constitutes misuse. *See* Note, 66 HARV. L. REV. 909, 917 (1953). *Cf. W. L. Gore & Assoc., Inc.* v. *Carlisle Corp.,* 529 F.2d 614 (3d Cir. 1976). It is plain from the language of § 271(d) that no "one or more" of the three foregoing acts will give rise to the defense of patent misuse. Defendants argue, however, that plaintiff has gone beyond the sum of the acts rendered permissible by § 271(d). They further maintain that while § 271(d)permits plaintiff to sell the unpatented propanil, the act does not permit plaintiff to monopolize such sales.

Defendants also maintain that they are and have at all times been willing to pay royalties to plaintiff for licenses to sell propanil for use in plaintiff's patented method. It is plaintiff's refusal to license which defendants maintain is the act not sanctioned by any of the exceptions to the misuse doctrine set out in § 271(d). Defendants submit that § 271(d) does not require this Court to legitimize a scheme by which a patent owner licenses others on the explicit condition that the licensee purchase an unpatented component from the patent owner. This refusal to grant licenses to the defendants, coupled with plaintiff's acts which are specifically sanctioned by § 271(d), results in the scheme which the defendants argue would impermissibly extend the Wilson patent.

Plaintiff's response to this contention is that it enjoys an unrestricted right to refuse licenses to defendants which would permit defendants contributorily to infringe the Wilson patent.[11] In support of this contention plaintiff

[427]

maintains that a patent owner "is neither bound to use his discovery himself nor permit others to use it," *citing Continental Paper Bag Co.* v. *Eastern Paper Bag Co.,* 210 U.S. 405, 425 (1908), and *Cataphote Corp.* v. *DeSoto Chemi-*

cal Coatings, Inc., 450 F.2d 769, 744 (9th Cir. 1972), *cert. denied*, 408 U.S. 929 (1972). Neither of these cases involved the attempted extension of a patent right to monopolize the sales of unpatented components. The context of this rule in *Continental Paper Bag* involved a patentee's right to hoard his discovery. In *Cataphote* the Court simply upheld a patent owner's right to restrict the marketing of his patent to one exclusive licensee. The plaintiff *sub judice* is neither hoarding his patent nor limiting its monopolistic effects to the actual claims of its patented method. Moreover, "[t]he fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use." *Blonder-Tongue* v. *University Foundation*, 402 U.S. 313, 344 (1970).

Still focusing on the conduct of plaintiff as it bears on the defense of patent misuse, defendants advert to a brief portion of the history of litigation pertaining to propanil in federal courts. In 1970 plaintiff, as defendant in *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F. Supp. 778 (E.D. Pa. 1970), *aff'd*, 456 F.2d 592 (3d Cir. 1972), successfully argued that a patent which had been issued for the chemical compound propanil should be declared invalid. Plaintiff succeeded in pursuading the court in *Monsanto* that propanil:

> "was for all purposes in the public domain and cannot be patented as a compound . . . . [T]he inventor of the novel property of the compound is not without recourse since he may patent the use of 3, 4-DCPA [propanil] as a selective post-emergence herbicide."

Id. at 790. Therefore, prior to the issuance of the Wilson

[428]

patent, propanil was declared "for all purposes in the public

domain". With regard to matters belonging to the public, the Supreme Court has held that:

> "a patent is not, accurately speaking, a monopoly . . . . The term "monopoly" connotes the giving of an exclusive privilege for buying, selling, working or using a thing which the public freely enjoyed prior to the grant. Thus a monopoly takes something from the people. An inventor deprives the public of nothing which it enjoyed before his discovery, but gives something of value to the community by adding to the sum of human knowledge."

United States v. *Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933). Plaintiff seeks in this lawsuit to monopolize the sale of propanil by taking it from the public domain. This Court is aware of no decision wherein the patent laws have been construed to permit such a taking.

Construed broadly, § 271(d) could be read to embrace the plaintiff's efforts to corner the market on all sales of unpatented and unpatentable propanil. However, the language of this provision is hardly a "clear and certain signal from Congress" that prior cases should be overruled. *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 530 (1971). The language of § 271(d) simply does not encompass the totality of plaintiffs' conduct in this case.

Neither the Supreme Court nor the United States Court of Appeals for the Fifth Circuit has construed § 271(d) to overrule the result in the *Mercoid* decisions. Section III.C.1.-3., *infra*. Although neither of these Courts has confronted this question in the precise context of a *Mercoid*-type misuse, both have continued to cite *Mercoid* as good authority.[12] Certainly the enactment of § 271 quelled the broad dictum in *Mercoid*. However, if it likewise overruled the result in *Mercoid*, it is incongruous that *Mercoid* is nevertheless still cited as good law.

[429]

C. Mercoid-Type Misuse Subsequent to the Patent Act of 1952

1. *The Supreme Court's Decision in Aro II*

Plaintiff contends that the Supreme Court's holding in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 492 (1964) (hereafter *Aro II*), demonstrates that § 271(d) was clearly intended to and did reverse the *Mercoid* rulings:

> ". . . Congress enacted § 271 for the express purpose of reinstating the doctrine of contributory infringement as it had been developed by decisions prior to *Mercoid*, and of overruling any blanket invalidation of the doctrine that could be found in the *Mercoid* opinions."

377 U.S. at 476. This contention is without merit for several reasons. First, as noted previously by the Court, Section III.A., *supra*, the *B. B. Chemical Co.* v. *Ellis* opinion rendered three years before *Mercoid* held that an action for contributory infringement was defeated by the application of patent misuse on facts very similar to the cause here pending. Therefore, "contributory infringement as it had been developed by decisions prior to *Mercoid*" did not authorize or sanction patent extensions which effected a monopoly over unpatented components. Also, "prior to *Mercoid*" the doctrine of contributory infringement did not suffer from the sweeping language used by Justice Douglas which cast a doubt on the surviving "residuum" of this tort in *any* context. Moreover, in construing § 271 to overrule "any blanket invalidation of [contributory infringement]," the Supreme Court chose language which carefully avoided overruling the *Mercoid* result in toto. Finally, the language which is relied upon by plaintiff in

Aro II was not intended by the Supreme Court to signal the complete demise of *Mercoid* because the Court resurrects *Mercoid* some five pages later in the opinion, 377 U.S. at 497, by stating in reference to a patent owner seeking to monopolize the sale

[430]

of an unpatented, nonstable fabric component:

> "In particular, the patent owner cannot impose conditions concerning the unpatented supplies, ancillary materials, or components with which the [patented] use is to be effected."

Aro II, supra, 377 U.S. at 497.[13]

2. *Supreme Court Rulings Subsequent to Aro II*

Decisions rendered by the Supreme Court since *Aro II* which address the question of the permissible scope of a combination patent demonstrate that *Mercoid* continues to retain vitality. *Deep South Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1971); *Blonder-Tongue v. University Foundation*, 402 U.S. 313 (1970); *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100 (1969).

In *Deep South Packing Co.* v. *Laitram Corp., supra,* the Supreme Court reversed a decision by the United States Court of Appeals for the Fifth Circuit which had held that a defendant who exported unpatented parts of an easy-to-assemble, patented combination, was guilty of direct infringement for "making, using, or selling any patented invention within the United States". 35 U.S.C. § 271(a). The Supreme Court reversed. Citing *Mercoid II*, the Supreme Court premised its reversal on the "unassailable"

rule that "a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts". 320 U.S. at 684.[14] The Supreme Court proceeded to set out a rigorous test for advocates who would urge that the Patent Act modified or overruled prior cases.

> "[W]e should not expand patent rights by overruling or modifying our prior cases construing the patent statute, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. We would require a clear and certain signal from Congress before approving the position of a litigant who, . . . argues that the beachhead of privilege is wider, and the area of public use
>
> **[431]**
>
> "narrower, than Courts had previously thought. No such signal legitimizes respondents' position in this litigation."

406 U.S. at 530.

In *Blonder Tongue* v. *University Foundation,* 402 U.S. 313 (1970), the Supreme Court, while "recognizing the patent system's desirable stimulus to invention," cited *Mercoid* as one of a "series of decisions in which the [Supreme] Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly".[15] *Id.* at 343.

Zenith Radio Corp. v. *Hazeltine Research, Inc., supra,* and *United States* v. *Loew's, Inc.,* 371 U.S. 38, 46 (1962). do not deal with § 271(d) or its effect on the *Mercoid* rule,[16] but it is nevertheless evident that the language in these opinions reveals a great reluctance on the part of the Supreme Court to aid a patentee seeking to extend the

scope of his property rights beyond the claims of his patent.[17]

3. *Lower Court Decisions*

a. *The Fifth Circuit*

The United States Court of Appeals for the Fifth Circuit has not construed § 271 in the context of a *Mercoid*-type misuse, although it has indicated in dictum that the result in *Mercoid* still maintains some vitality.[18] In *Fromberg, Inc.* v. *Thornhill,* 315 F.2d 407 (5th Cir. 1967), the Court of Appeals cited *Mercoid* for the general rule that any effort to extend a combination patent to monopolize an unpatented component would be patent misuse, 315 F.2d at 412, but acknowledged that the enactment of "§ 271 was intended to work some changes in these concepts". 315 F.2d at 412, n.13. The Court expressly reserved judgment on the reach or purpose of such changes. *Id.* at 414, n.18, The law in this Circuit

[432]

as to whether patent owners can monopolize the sale of nonstaple components of their patent is therefore unsetttled.

b. *Other Lower Court Decisions*

Plaintiff cites two post-1952 decisions which it maintains are the only authorities squarely on point with the case at bar. *Harte & Co., Inc.* v. *L. E. Carpender Co.,* 138 U.S.P.O. 538 (S.D.N.Y. 1963); *Sola Electric Co.* v. *General Electric Co.,* 146 F. Supp. 625 (N.D. Ill. 1956). In *Sola* the plaintiff owned a patent on a combination of unpatented components to be used in an alternating current supply system. Like the patentee in *Mercoid,* and the patent owner *sub judice,* the plaintiff and his licensees derived their income from

sales of unpatented, nonstaple components. Licenses were granted only to customers who purchased the unpatented components sold by the plaintiff or his licensees. The court held that the patent was invalid and therefore unenforceable. 146 F. Supp. at 646.

Although it was wholly unnecessary to do so in light of the court's ruling on the invalidity of the patent, the court went on to consider the defendant's allegation of patent misuse, concluding that § 271 had indeed overruled the result in the *Mercoid* decisions. This Court does not agree with this conclusion. However, it is more important to note that the licensing policy in *Sola,* unlike the policy *sub judice,* did not effect a monopoly in unpatented components — licensed use of the *Sola* patent was not conditioned exclusively on purchases of the unpatented component from the patent owner. The patent owner in *Sola* exploited its patent in two ways. First, it collected royalties from licensees who in turn manufactured and marketed the unpatented component. Second, it derived profits from the sale of unpatented components,

[433]

which were presumably priced to compete with the plaintiff's competitor-licensees. Section 271(d)(1) clearly permits an owner of a combination patent to compete with other manufacturers in the sale of unpatented components. Plaintiff Rohm and Haas, on the other hand, is urging its right to eliminate competition wholly by monopolizing the sale of unpatented and now unpatentable propanil.

The patent in *Harte* involved an ornamental design for resinous plastic material used in raincoats, shower curtains and upholstery. The defendant patent owner required its licensees to purchase from the defendant all embossing rollers used in the patent design. These rollers were used

exclusively in the defendant's design and thus were nonstaple items. In its findings the court held that the "rollers were sold by [the patent owner] at cost, and without intent to restrain competition in or monopolize the production of the rollers." 138 U.S.P.Q. at 583. The court concluded that sales of the rollers did not constitute patent misuse since such sales were based on the defendant's skills and experience in the design field, and hence not conditioned on the defendant's ownership of the patented design.

Unlike the *Harte* plaintiff, the plaintiff at bar does not contend that it sells its propanil at cost in order to secure licenses for its patented method; nor does it make any pretense as to its intent to eliminate competition by monopolizing the sale of propanil. There is also no contention here that plaintiff's propanil is in any way superior to the propanil sold by the defendants. Notwithstanding plaintiff's reliance on this opinion, the Court is unable to agree that the rationale of *Harte* applies in the present context.

Post-1952 authority cited by defendants supports the broad proposition that a patent on a combination

[434]

does not secure a monopoly on any of the unpatented components of that combination, and whether those components are staple or nonstaple is a factor which the courts have simply ignored in applying this principle. *See* M. Nelson, *Mercoid-Type Misuse is Alive,* 56 J. PAT. OFF. COC'Y 134 (1974), and cases cited therein. *See also McCullough Tool Co.* v. *Wells Surveys, Inc.,* 343 F.2d 381 (10th Cir. 1965).

Plaintiff distinguishes defendants' cases on various grounds, including the fact that some do not deal with nonstaple components. *E.g., Calhoun v. United States,* 339 F.2d 665 (Ct. Cl. 1964), *Sonobond Corp.* v. *Uthe Technolo-*

gy, 314 F. Supp. 878 (N.D. Cal. 1970). For example, it is urged that the unpatented component at issue in *Sonobond* possessed many uses outside of the patent in dispute. Plaintiff concludes that § 271(d) was therefore inapplicable in *Sonobond* because the condition precedent to its applicability—the existence of a nonstaple article whose sale would constitute contributory infringement—simply could not be satisfied. As noted in Section III.B.1., *supra,* the Revisory Notes to § 271 belie this interrelation between the four paragraphs of § 271. Only the tort of contributory infringement, as defined in paragraph (c) is limited to the sale of nonstaple articles. Neither direct infringement under paragraph (a), nor induced infringement under paragraph (b) limits the applicability of these respective torts to nonstaple components. Paragraph (d) is ancillary to all three of the paragraphs which precede it. Therefore, regardless of whether the infringing article is staple or nonstaple, patent misuse may be an appropriate defense.

Plaintiff also argues that cases in which royalty rates are determined to be discriminatory because they are based on whether the licensee purchased unpatented components from the patent owner are not apposite to the present facts.[19]

[435]

However, in the context of patent misuse it is clear that discriminatory royalty rate cases are applicable at least to the limited extent that the discriminatory rate unduly stifles or effectively destroys competition in the sale of unpatented components. In the present context, if plaintiff had offered at a prohibitive cost to license defendants, the stifling effect might well be functionally indistinguishable from a refusal to license at any price.

It is not necessary to consider all of the authority cited by defendants. The Supreme Court in *B. B. Chemical Co., supra,* and *Mercoid I* and *II, supra,* characterized efforts to effect a monopoly over unpatented components as patent misuse, whether the component was nonstaple or otherwise. Neither the legislative history nor the language of § 271 indicates that this rule has been modified. In determining whether such a modification has transpired, it is sufficient to conclude that the Court is aware of no authority that construes § 271 to sanction, on grounds that the monopoly sought extended to a nonstaple component, patent owner conduct which would otherwise constitute patent misuse.

IV. DEFENDANTS' COUNTERCLAIM FOR ANTITRUST VIOLATIONS

Defendants have filed counterclaims in this action alleging violations of the antitrust laws, 15 U.S.C. §§ 1, 2 and 14. Defendants also seek declaratory relief under 28 U.S.C. § 2201, pronouncing the Wilson patent invalid and unenforceable. Nothing in this ruling should be construed to be determinative of any of the matters raised by defendants in their counterclaims. While conduct of a patent owner which constitutes a violation of the antitrust laws would usually, if not always, constitute patent misuse as a matter of law, the congruence of patent misuse and violations of antitrust laws

[436]

has long been an unsettled question. It was unclear until recently whether a finding of patent misuse required proof of an antitrust violation. *See Hensley Equipment Co.* v. *ESCO Corp.,* 383 F.2d 252, note 19 (5th Cir. 1967). In *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S.

100, 140 (1969), the Supreme Court removed all lingering doubts in holding that a finding of patent misuse did not necessarily constitute an antitrust violation under the Sherman or the Clayton Acts. *See also* T. Maffei, *The Patent Misuse Doctrine: Balance of Patent Rights and the Public Interest,* 52 J. PAT. OFF. SOC'Y 178 (1970). The ruling *sub judice* is limited to the question of patent misuse.

V. CONCLUSION

A. Plaintiff's Motion for Partial Summary Judgment to Strike Defendants' Allegations of Patent Misuse

The Court in this ruling has determined first that the result in the *Mercoid* decisions dictates a finding of patent misuse in this action as a matter of law, based upon stipulated facts. Additionally, the Court has concluded that plaintiff's attempt to monopolize the sale of propanil in this case by refusing to license under any circumstances constitutes an extension and exploitation of its patent exceeding the patent exploitation condemned by the Supreme Court in the *Mercoid* decisions. Neither the legislative history, nor the subsequent judicial construction of § 271 supports the plaintiff's contention that the test for patent misuse is in any manner dependent upon the staple or nonstaple nature of the infringing article. Patent misuse is an equitable defense which, if established, bars a patent owner seeking equitable relief for direct infringement under § 271(a), active inducement of infringement under § 271(b), or contributory infringement under § 271(c).

[437]

Section 271(d) patent misuse is expressly ancillary to these three codified torts of patent infringement. Revisory Notes, 35 U.S.C. § 271 (1952).

Section 271(d) does not create a cause of action against a mala fide patent owner. Patent misuse arises only as a defense to an action for infringement. It becomes germane only after the court determines or assumes that there has been an infringement under paragraphs (a), (b) or (c) of § 271. Congress could easily enough have provided that any owner of a combination patent is permitted to monopolize the sales of unpatented, nonstaple components which lack any substantial noninfringing use. It did not do so. Plaintiff, by seeking to incorporate the staple-nonstaple issue into the construction of § 271(d), confuses analysis of the patent owner's conduct with that of the infringer.

This finding of patent misuse in no way resolves the question of validity of the Wilson patent; moreover, once the patentee has purged itself of the effects of its patent misuse, it may seek once more to enforce its patented method by reasserting its allegation of contributory infringement. *Hensley Co.* v. *ESCO Corp.,* 383 F.2d 252, 261 (5th Cir. 1967). For reasons set out in this ruling, however, the Court holds that plaintiff's present policies constitute patent misuse.[20]

B. Defendants' Motion for Partial Summary Judgment Urging Dismissal of Plaintiff's Complaint

Defendants' motions for summary judgment to strike the plaintiff's allegations of indirect infringement on the grounds that such allegations are barred by the misuse of plaintiff's patent confronts this Court with a problem not wholly resolved by the denial of plaintiff's motion for partial summary judgment. The Supreme Court in *Morton Salt Co.* v. *G. S. Suppiger,* 314 U.S.

[438]

488 (1942), indicated that when misuse of the patent is established as a matter of law prior to trial, the patent owner's complaint should be dismissed without prejudice to purge the misuse and thereafter seek relief. In this ruling the Court has concluded that the plaintiff cannot market propanil, refuse to license others to compete in such sales, and then file a suit with the object of securing a monopoly over the sale of propanil. This Court, by enjoining defendants from selling propanil, would effectuate this monopoly. On the other hand, plaintiff has alleged both contributory infringement and active inducement of infringement. Appropriate relief for active inducement of infringement could conceivably be fashioned to avert this wrongdoing and at the same time avoid an impermissible extension of plaintiff's patent to an unpatented combination. If defendants' labels and advertising are ultimately proven to constitute active inducement of infringement of the Wilson patent, defendants, in urging dismissal of this suit, in effect seek

> "a continuing immunity from suit, . . . blithely continu[ing] to practice the arts of piracy, . . . while pointing . . . finger[s] at plaintiff as unclean, [and are] not Daniel[s] come to judgment, but Satan[s] quoting the Scripture to [their] purpose."

Gray Tool Co. v. *Humble Oil & Refining Co.*, 186 F.2d 365, 368 (5th Cir. 1951), *cert. denied*, 941 U.S. 934 (1951). This piracy, if proven, can and should be prohibited by the Court.

Issues remaining to be resolved in this case include the validity of the Wilson patent and whether it has in fact been infringed by the defendants, as well as the various anti-trust allegations raised in the defendants' counter-

claims. This ruling is only a pre-trial, interlocutory adjudication of the question of patent misuse in the context of plaintiff's present licensing policies. It is based entirely on facts stipulated by the parties. Like infringement, patent misuse

[439]

involves ongoing conduct. If appropriate, this ruling is subject to revision by this Court since it has no res judicata effect. 6. J. Moore, Federal Practice ¶ 56.20 [3-4] (2d ed. 1976); *see also Bon Air Hotel, Inc.* v. *Time, Inc.*, 426 F.2d 862 (5th Cir. 1970); Rule 54 (b) Fed. R. Civ. P.

In a case of this complexity, both with respect to the resolution of the pending motions, as well as the ultimate decree entered in this cause, this Court will be guided by the wisdom of Chief Judge Hutcheson, who was confronted by similar facts in *Gray Tool Co.* v. *Humble Oil & Refining Co., supra.*[21] Defendants' motions for partial summary judgment are granted at this time insofar as they seek an injunction of the legality of plaintiff's monopolization of the sale of propanil, but are denied to the extent that they seek dismissal of plaintiff's complaint.

C. Pending Motions for Protective Orders Under Rule 26(c), Fed. R. Civ. P.

Defendants have filed motions for protective orders under Rule 26(c), Fed. R. Civ. P., seeking to stay discovery pending resolution of the three outstanding motions for summary judgment. With the exception of a motion for protective order filed by defendant Helena Chemical Corporation, which seeks to quash notices of depositions given to a Mr. Jerry A. Williams and a Mr. J. C. Blue, the sole basis submitted for the requested orders was the pendency

of arguably dispositive motions for summary judgment. This ground no longer applies; therefore, all motions for protective orders related thereto are denied.

1. *Proper Situs for Deposing a Corporate Official*

Mr. Williams, who is presently chairman of the board of defendant Helena, resides in Billings, Montana. Although this lawsuit was filed in the Southern District of Texas, the defendant Helena does not have a principal place of business

[440]

here in this District. Helena submits that only the proper locations in which to take the deposition of Mr. Williams are either at Helena's principal place of business in Memphis, Tennessee, or at the residence of Mr. Williams in Billings, Montana. Although defendant Helena is doing business in the Southern District of Texas, the Court agrees that the plaintiff should be required to choose between Mr. Williams' residence and defendant's principal place of business for taking a deposition. *Application of Johnson and Johnson,* 59 F.R.D. 174, 178 (D. Del. 1973); *Joseph F. Less* v. *Taber Inst. Corp.,* 53 F.R.D. 645, 646 (W.D.N.Y. 1970).

2. *Parties Deposable as Corporate Officials*

Mr. Blue was a past president of defendant Helena. He is no longer president or otherwise employed by Helena. The Court agrees with the defendant that Mr. Blue, who is a resident of Houston, would be subject to a deposition as an individual, but only by subpoena. "A corporation may not be examined [by a deposition] through one who was formerly an officer thereof but is no longer in its employ."

Kolb v. *Bull Steamship Co.,* 13 F.R.D., 252 254 (E.D.N.Y. 1962). *See also* J. MOORE, FEDERAL PRACTICE, ¶ 30.51, n.10 (2d ed. 1975).

• • • • • •

Plaintiff's motion for partial summary judgment is denied. Defendant's motions for partial summary judgment are granted in part and denied in part. Defendants' motions for protective orders are denied with the exception of defendant Helena's motion to quash notices of deposition given to Jerry A. Williams and J. C. Blue, which is granted.

DONE at Houston, Texas, this 10th day of August, 1976.

Carl O. Bue, Jr.

United States District Judge

[441]

FOOTNOTES

[1] *See also B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 498 (1942). Licenses to use the plaintiff's patented method of reinforcing shoe insoles were granted to plaintiff's customers who purchased a pre-coated fabric used in the method. The Supreme Court rejected the argument that this licensing method was the only practicable way to exploit the patent, holding that the plaintiff's attempt to establish a monopoly in an unpatented article constituted misuse of its patent. The Chief Justice indicated that if the plaintiff was willing to grant unconditional licenses to manufacturers on a royalty basis, reconsideration of its right to relief would be appropriate.

[2] "*Section 271. Infringement of patent.*

"(a) Except as otherwise provided in this title [§ 1 et seq. of this title], whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

"(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

"(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another

to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

[3] *E.g.*, J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine*, 26 S. CAR. L. REV. 539, 548 (1975); C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y. 86, 95 (1971); *Note, Combination Patents: the Right to Prohibit Sales of Replacement Parts*, 70 Yale L.J. 649, 655 (1961; *Note, Contributory Infringement and Misuse — the Effect of Section 271 of the Patent Act of 1952*, 66 HARV. L. REV. 909, 914 (1953).

[4] Of the authorities cited in *note* 3, *supra*, the authors of Comment, 53 J. PAT. OFF. SOC'Y 86, 95-96 (1971); *Note*, 70 YALE L. J. 649, 655 (1961); and *Note*, 66 HARV. L. REV. 909, 914 (1959), conclude that the enactment of § 271

[442]

sought to eliminate the uncertainty created by Mr. Justice Douglas' dictum in *Mercoid*. *See also* A. Areeda, *Antitrust Analysis* ¶ 534(a), n.89 (2d ed. 1974).

[5] For example, in instances where a large number of consumers directly infringing a combination patent are supplied with components or otherwise aided by a small number of "accomplices", the most effective method to halt the infringement is to permit the patent owner to sue the "accomplices". *Cf.* D. Moseley, *The Knowledge Requirement of Contributory Infringement and the Aro Case*, 47 J. PAT. OFF SOC'Y 98, 103 (1965).

[6] The first case to actually use the term "contributory infringement" was *Snyder* v. *Burnell*, 29 F. Cas. 47 (C.C. S.D.N.Y. 1886).

[7] Plaintiff in arguing that § 271(d) expressly sanctions its licensing policies, maintains that "[i]n the event that at some future time a substantial commercial use for propanil should arise in this country which does not infringe the patent at bar, Rohm and Haas then would modify its licensing policy since the Section 271(d) exception would no longer apply". In its complaint plaintiff charges defendants with actively inducing infringement, under § 271(d), as well as contributory infringement, under § 271(c). Throughout its memorandum filed in opposition to defendants' motion for partial summary judgment, plaintiff urges that its own conduct vis-a-vis patent misuse under § 271(d) should be sanctioned or condemned depending solely upon whether propanil is determined to be a staple or non-staple article. Nowhere in the language of § 271(d) has Congress

limited or otherwise defined patent misuse by reference to the staple or nonstaple nature of an unpatented component. For reasons set out in *Fromberg, Inc.* v. *Thornhill,* 315 F.2d 407, 414-415 note 20 (5th Cir. 1967), and Section III.B.2., *infra,* this Court has concluded that the nature of a component article of a patented combination is germane only to the definition of a contributory infringer under § 271(c); it should not confuse analysis of the patentee's conduct under § 271(d) for purposes of determining patent misuse *vel non.*

[8] *E. g.,* J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine,* 26 S. CAR. L. REV. 539 (1975), reprinted in 58 J. PAT. OFF. SOC'Y 69 (1976) (hereinafter *Scafetta*); C. Miller, *Some Views on the Law of Patent Infringement by Inducement,* 53 J. PAT. OFF. SOC'Y 86, 94-97 (1971); *Note,* 70 YALE L. J. 649, 656-660 (1961); *Comment, Note,* 66 HARV. L. REV. 909 (1953).

[9] *Deep South Packing Co.* v. *Laitram Corp.,* 406 U.S. 518, 530 (1971); *Aro Mfg. Co., Inc.* v *.Convertible Top Replacement Co., Inc.,* 365 U.S. 336, 347, n.2 (1961) (Black, J., concurring). Mr. Crumpacker, a congressman who participated in the hearings as a member of the patent subcommittee of the House, is purported to have stated that:

[443]

> ". . . this colloquy is almost entirely meaningless, it being merely an exchange of pleasantries by some senators having little, if any familiarity with the subject matter they were discussing.[21] [21 . . . . Any senator or representative who got as far as reading the title of the bill would see it was a bill to *revise* and codify the laws.]"

J. Scafetta, note 8, *supra* at 558. While the Court agrees that little weight should be accorded to this colloquy between senators on the floor, great weight must be accorded to the presumption that, in citing this exchange on at least two occasions, the Supreme Court has concluded that the result in *Mercoid* has not been overruled.

The Court has closely studied the Scafetta article, note 8, *supra,* for two reasons. First, it is the most recent as well as the most comprehensive commentary published on the doctrine of patent misuse. Second, it has been graced by the Robert C. Watson Award for 1975 from the American Patent Law Association for the best publication prepared by an author, while a student, on a "subject of primary importance to the patent system". *See* 58 J. PAT. OFF. SOC'Y, 69 (1976). The collision in this case of

the policies underpinning the patent laws and the antitrust laws is graphically illuminated by Scafetta's assault on the views of the Justice Department and the American Bar Association Section on Antitrust Law, which coincide with this Court's finding of patent misuse. Scafetta, *supra* at 589. *See* ABA ANTITRUST SECTION 339-41 (1975).

Based primarily on his interpretation of the Supreme Court's opinion in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 377 U.S. 476 (1964), Mr. Scafetta concluded in his article that the enactment of § 271 effectively overruled the result as well as the broad dictum in the *Mercoid* decisions. For reasons set out in Section III.C., *infra,* this Court disagrees. Moreover, the exploitation pursued in the present case transcends the conduct which confronted the Supreme Court in *Mercoid.* Section III.A., *supra.*

[10] Mr. Rich also stated before the committee that it was his opinion that § 271 covered "the *Mercoid* type of situation", Hearings, *supra* at 174, which tends to support the conclusion that the results in *Mercoid* would be changed by § 271(d). This Court has determined that § 271(d) sanctions the conduct of a patent owner only if the three provisions of this paragraph comprehensively define that conduct. Any conduct of patent exploitation which falls outside of § 271(d) requires the Court to determine whether the judicial doctrine of patent misuse is appropriate. Mr. Rich's construction of § 271(d) to senators prior to its enactment supports this analysis. For reasons set out in the following paragraphs, the Court has concluded that the plaintiff in this case has exploited its method patent in a manner exceeding the acts specifically set out in § 271(d). Moreover, a settled public policy against extending patents to

[444]

unpatented articles should not be overridden by the general terms of a statute which do not establish with certainty a legislative intent to depart from that policy. *See United States* v. *Sweet,* 245 U.S. 563, 572 (1918). *See also Deep South Packing Co.* v. *Laitram Corp.,* 406 U.S. 518, 531 (1971).

[11] Of course, if defendants were licensed by plaintiff to label containers of propanil with instructions setting out plaintiff's patent, as are plaintiff's propanil customers, defendants would not be contributory infringers.

[12] *E.g., Deepsouth Packing* v. *Laitram,* 406 U.S. 518, 528 (1972); *Blonder-Tongue* v. *University Foundation,* 402 U.S. 313, 343-44 (1970); *Fromberg, Inc.* v. *Thornhill,* 315 F.2d 407, 412 (5th

Cir. 1963) ("[The effort to] extend [the patent monopoly] to unpatented materials which are used in, or consumed by, the patented machine, process or device . . . constitutes patent misuse"). *Cf.* M. Nelson, *Mercoid-Type Misuse is Alive,* 56 J. PAT. OFF. SOC'Y 134 passim (1974).

[13] The context of this statement in the *Aro II* opinion is somewhat confusing; in the midst of a discussion of the elements of contributory infringement, the Court digresses briefly to touch on an element of patent misuse. It is clear from this passage, however, that the Supreme Court in *Aro II* did not interpret § 271 to overrule the result in the *Mercoid* decisions.

[14] ". . . [W]e find the Fifth Circuit's definition unacceptable because it collides head on with a line of decisions so firmly embedded in our patent law as to be unassailable absent a congressional recasting of the statute.

"We cannot endorse the view that the 'substantial manufacture of the constituent parts of [a] machine' constitutes direct infringement when we have so often held that a combination patent protects only against the operable assembly of the whole and not the manufacture of its parts. 'For as we pointed out in *Mercoid* v. *Mid-Continent Investment Co.,* [320 U.S. 661, 676] a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.' *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.,* 320 U.S. 680, 684 (1944). *See also Leeds & Catlin Co.* v. *Victor Talking Machine Co.,* 213 U.S. 301:

> 'A combination is a union of elements, which may be partly old and partly new, or wholly old or wholly new. But whether new or old, the combination is a means — an invention — distinct from them.' *Id.* at 318.

[445]

> " '[O]ne element is not the combination. Indeed, all of the elements are not. To be that — to be identical with the invention of the combination — they must be united by the same operative law.' *Id.* at 320.

And *see Brown* v. *Guild,* 23 Wall. 181 (1874). In sum,

> '[i]f anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.' *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 365 U.S. at 344."

406 U.S. at 528.

[15] The Supreme Court in *Blonder-Tongue* quoted the following passage from *Mercoid I, supra,* 320 U.S. at 666:

> " 'The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use.' " 402 U.S. at 343-344.

[16] It should be noted, however, that plaintiff's heavy reliance on *Aro II* suffers from the same infirmity.

[17] "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." *United States* v. *Loew's, Inc.,* 371 U.S. 38, 46 (1962).

"Among other restrictions on him, he [the patentee] may not condition the right to use his patent on the licensed's agreement to purchase, use, or sell, or not to purchase, use or sell, another article of commerce not within the scope of his patent monopoly." *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100, 136 (1969).

[18] ". . . [O]ne must begin with the rule that a patent protects only the [patented] machine in its totality and not its individual unassembled elements . . . . The purpose behind the *Brown, Aro, Mercoid* rule is to prevent the patentee from exercising exclusive control over the constituent elements of his patented machine. The public has a right to these elements. . . ." *Laitram Corp.* v. *Deep South Packing Co., Inc.,* 443 F.2d 936 (5th Cir. 1971), *rev'd on other grounds,* 406 U.S. 318 (1971).

[446]

[19] *Ansul Co.* v. *Uniroyal, Inc.,* 306 F. Supp. 541 (S.D.N.Y. 1969), *aff'd* 448 F.2d 872 (2d Cir. 1971), *cert. denied,* 404 U.S. 1018 (1972); *National Foam System* v. *Urquhart,* 202 F.2d 659 (3d Cir. 1953).

[20] As the Court noted in Section III.A.3., *supra,* plaintiff with its licensing policy attempts to exploit the Wilson patent in a manner not wholly analogous to the efforts of the patent owner in *Mercoid.* Also, it is not entirely clear to what extent the Supreme Court in arriving at its conclusions in *Mercoid* scrutinized the reasonableness of the patent owner's licensing efforts. The Court has determined that the enactment of § 271

does not now permit a patent owner to monopolize the sale of unpatented articles, whether they are nonstaple components or otherwise. The effect of this order compels the patent owner marketing unpatented, nonstaple components of his combination patent to first offer licenses to others marketing that component before it seeks equitable relief for contributory infringement. Although the act of bringing the suit is expressly sanctioned by § 271(d)(3), and therefore cannot serve as the basis for a finding of patent misuse, it does not follow that every patent owner who brings a suit for infringement is thereby immunized against this defense. Rather, the patent owner's acts antecedent to the filing of the suit constitute the basis for a finding of patent misuse *vel non*.

It would be premature for this Court to now consider reasonable royalty rates or the number of offers necessary in order to dissipate the misuse arising from attempts to monopolize the sale of propanil. It is sufficient in this interlocutory order to conclude simply that § 271 does not legitimize the monopoly.

[21] "Such a decree should, of course, be so framed as that it will not permit an unreformed and unrepentant plaintiff to obtain the fruits of bringing a defendant to book for his wrong doing, unless and until proper amends are made by plaintiff for his own wrong doing. Equally, of course, [the Court shoud not countenance] a defendant's wrong doing in deliberately stealing the fruits of plaintiff's invention by permitting him, by the simple device of the pot calling the kettle black, to continue to escape accountability. In short, the decree should, if at all possible, be so drawn as to protect the public from the continuing wrong doing of the plaintiff in misusing its patents and the plaintiff and the public from the continuing wrong doing of defendant in deliberately pirating plaintiff's invention." 186 F.2d at 369.

* * * *

[453]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

DEFENDANTS DAWSON CHEMICAL COMPANY'S, CRYSTAL MANUFACTURING CORPORATION'S, AND CRYSTAL CHEMICAL COMPANY'S MOTION FOR RECONSIDERATION OF THE COURT'S DECISION NOT TO DISMISS PLAINTIFF'S COMPLAINT

Defendants Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company, hereinafter referred to as Defendants, respectfully request the Court to reconsider its decision not to dismiss Count 1 of Plaintiff's complaint. In support thereof, Defendants would show the following:

1. On November 11, 1974, Defendants moved for summary judgment dismissing Plaintiff's complaint on the ground that the undisputed facts in this case establish

patent misuse as a matter of law. In its decision filed August 10, 1976, the Court found, as a matter of law, that Plaintiff has misused and is misusing its patent. Because of allegations relating to Defendants' conduct, however, the Court declined to dismiss Plaintiff's complaint as requested.

2. As the attached memorandum will demonstrate, by virtue of its finding that the Plaintiff has misused its patent on which this suit is based, the Court should dismiss

[454]

the suit, without regard to the conduct of the Defendants.

Should the Court conclude, however, that, based on Defendants' conduct, it has discretion to retain this suit even though it has found the Plaintiff to have misused the patent in suit, movant nonetheless would show that Defendants' conduct, viewed most favorably to the Plaintiff, is not of a nature that would warrant such retention, but instead constitutes nothing more than a sale of an unpatented chemical with instructions for proper use of the chemical printed on the chemical's package as required by the Federal Environmental Pesticide Control Act of 1972.

Respectfully submitted,

By /s/ JOHN L. McCONN, JR.
John L. McConn, Jr.
Attorney in Charge for
Defendants Dawson Chemical
Company, Crystal Manufacturing Corporation and Crystal
Chemical Company
1100 Esperson Building
Houston, Texas 77002
(713) 237-3188

Of Counsel:

BUTLER, BINION, RICE, COOK & KNAPP
Ned L. Conley
Elliott Cox
1100 Esperson Building
Houston, Texas 77002
(713) 237-3195

[455]

CERTIFICATE OF SERVICE (OMITTED)

• • • •

[456]

IN THE
UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

MEMORANDUM IN SUPPORT OF DEFENDANTS' MOTION FOR RECONSIDERATION OF THE COURT'S DECISION NOT TO DISMISS PLAINTIFF'S COMPLAINT

Introduction

In the decision filed August 10, 1976, the Court held that the plaintiff, as a matter of law, has misused and is misusing the patent in suit (Memorandum and Opinion at 2 and 29). Yet the Court did not dismiss the plaintiff's complaint as requested by Defendants in their motion for partial summary judgment.

The apparent basis for the Court's decision not to dismiss is the allegation of Plaintiff Rohm and Haas that Defendants have both induced infringement of and contributorily

infringed plaintiff's patent. The Court indicates that such conduct, if it exists, would constitute "piracy" of plaintiff's invention. Defendants first submit that a court should dismiss a patent infringement suit if it finds the plaintiff is misusing the patent, regardless of the defendant's conduct. Defendants further submit that conduct in selling an unpatented and unpatentable chemical compound which has been

[457]

labelled as required by the Federal Environmental Pesticide Control Act of 1972 cannot be regarded as wrongful.

I.
The Court Should Dismiss Plaintiff's Patent Infringement Action Upon Finding that the Plaintiff has Misused the Patent in Suit

The Court in the present case notes that *Morton Salt Co.* v. *G. S. Suppiger Co.,* 314 U.S. 488, 493, 86 L.Ed 363 (1941), "indicated that when misuse is established as a matter of law prior to trial, the patent owner's complaint *should be dismissed* without prejudice to purge the misuse and thereafter seek relief". (Memorandum and Opinion at 31). The Court then distinguishes the present case from *Morton Salt* by stating "plaintiff has alleged both contributory infringement and active inducement of infringement". *Id.* The facts of the present case, however, are not similarly distinguishable from *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495, 86 L.Ed. 367 (1941). In *B. B. Chemical* the patent owner argued that the defendant's "acts of infringement... were not limited to the sale of material for use by the patented method..., but amounted to active inducement of infringement...." 314 U.S. at 497-98; 8 L.Ed. at 370. In direct response to this argument, the Supreme Court stated:

> "[I]n view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in the Morton Salt Co. Case, we hold that the maintenance of this suit to restrain *any form of infringement* is contrary to public policy, and that the district court rightly dismissed it." *Id.* (emphasis added).

The Court in the present case has stated that the action in *B. B. Chemical* "was defeated by the application of

[458]

patent misuse on facts very similar to the cause here pending". (Memorandum and Opinion at 11). It was on such "similar facts" that the Supreme Court held the patent owner's suit to restrain "any form of infringement" to be "contrary to public policy". Under such firm direction of the Supreme Court, the court in the present case is obligated to dismiss plaintiff's complaint. See *Rex Chainbelt Inc.* v. *Harco Products, Inc.*, 512 F.2d 993 (9 Cir. 1975), *cert. denied*, 46 L.Ed. 2d 49 (1975), *aff'g Rex Chainbelt Inc.* v. *DFC Co.*, 1974 Trade Cases P75,152 (C.D. Cal. 1974).

In the present case, the court has relied to a great extent upon the opinion of the Fifth Circuit in *Gray Tool Co.* v. *Humble Oil & Refining Co.*, 186 F.2d 365 (5 Cir 1951), *cert. denied*, 341 U.S. 934. *Gray*, however, should not be interpreted as holding that where a defendant is guilty of wrongdoing in relation to the patent, the court may retain the infringement suit of a patent owner that has misused its patent. Such an interpretation is not justified for several reasons. First, such a holding would go against the clear dictates of the Supreme Court in *B. B. Chemical*. Second, the actual holding in *Gray* was that a judge may not draw fact inferences on a motion for summary judgment and

that, because the lower court's finding of misuse required making fact inferences, such finding was improper. Therefore, the statements in *Gray* referring to procedures to follow if misuse is properly found to exist are clearly dictum. Third, the *Gray* court relied heavily upon *Paul E. Hawkinson Co.* v. *Dennis*, 166 F.2d 61 (5 Cir 1948), an opinion authored by the judge who wrote the *Gray* opinion, where the court stated:

[459]

> "If, therefore, the district judge was right in the conclusion that it was established as matter not of fact but of law, that is by undisputed evidence and the inescapable inferences to be drawn therefrom, that plaintiff had been and still was misusing its patent, the judgment ought to be affirmed, without prejudice, of course, to plaintiff's right to again sue when it can show that it has purged itself of wrongful uses and practices." 166 F.2d at 63.

The "judgment" to which the court was referring was dismissal of plaintiff's complaint. 166 F.2d at 62. Fourth, the *Gray* court notes that *Morton Salt* and another case disposed of on summary judgment applied the principle that:

> "no patentee can license or refuse to license upon a condition that the licensee will, in the use of the unpatented materials, use only such materials as it purchased from the patentee . . ." 186 F.2d at 368.

The *Gray* court does not dispute the propriety of a summary judgment dismissal based on such facts, but merely distinguishes the *Gray* facts by noting, "it has never been . . . justly decided that the mere effort, as here, to prevent a direct infringement was in itself a misuse". 186 F.2d at 369. Thus, *Gray* does not hold that such a summary judgment dismissal is improper. Fifth, the facts in *Gray* indi-

cate that the defendant's conduct was of a completely different nature than that of Defendants in the present case: the "defendant has itself obtained a monopoly in the field covered by plaintiff's patent". 186 F.2d at 367.

The Supreme Court in *B. B. Chemical* has directed that a patent that has been misused will not be enforced unless the misuse has been purged. The Fifth Circuit in *Gray* does not direct otherwise. Therefore, Plaintiff Rohm & Haas' complaint must be dismissed regardless of Defendants' conduct.

[460]

II.

Defendant's Conduct Cannot Be Regarded as Wrongful

In its opinion, the Court notes that Plaintiff Rohm & Haas has charged the Defendants with both contributory infringement due to Defendants' sales of propanil, and active inducement of infringement due to Defendants' instructing purchasers through labels to use the propanil in an infringing manner. The court has characterized the totality of such conduct, if it exists, as a "wrongdoing" which may be averted by "[a]ppropriate relief", despite Plaintiff Rohm & Haas' misuse of the patent. (Memorandum and Opinion at 31).

Defendants submit that there is nothing wrongful in their instructing purchasers of propanil, by means of labels attached to the propanil containers, how to use the propanil. It would be illegal for Defendants to sell the propanil *without* such instructions on the labels. The Federal Environmental Pesticide Control Act of 1972 makes it unlawful to:

> "distribute, sell, offer for sale, hold for sale, ship, deliver for shipment . . . to any person . . . any pesticide which is adulterated or misbranded." 7 U.S.C. § 136 (a)(1)(E)

A "pesticide" includes "any substance or mixture of substances intended for use as a plant regulator . . ." 7 U.S.C. § 136(u). "Plant regulator" means:

> "any substance or mixture of substances intended, through physiological action, for accelerating or retarding the rate of growth or rate of maturation, or for otherwise altering the behavior of plants or the produce thereof, but shall not include substances to the extent that they are intended as plant nutrients, trace elements, nutritional chemicals, plant inoculants, and soil amendments." 7 U.S.C. § 136 (v).

[461]

A pesticide is misbranded if:

> "the labelling accompanying it does not contain directions for use which are necessary for effecting the purpose for which the product is intended and if complied with . . . are adequate to protect health and the environment." 7 U.S.C. § 136 (q).

Under this language it is clear that sale of propanil is unlawful unless the propanil is accompanied with a label containing directions for intended use. The only commercial use for propanil that is known to the Defendants is in the practice of plaintiff's patented method. Therefore, "directions for use which are necessary for effecting the purpose for which the product is intended" will necessarily instruct the user to infringe plaintiff's patent. If Defendants were to sell propanil and not so instruct the purchaser, they would be liable for civil penalties of as much as $5,000 for each offense and criminal penalties of as much as $25,000 and one year imprisonment. 7 U.S.C. § 136 1.

In view of such a statute and Plaintiff Rohm & Haas' refusal to license others to use its patented method unless they purchase propanil from Rohm & Haas, Defendants' only alternative to their present course of action is to abstain entirely from the sale of propanil, thereby establishing Plaintiff's monopoly which the Court refused to effectuate. Defendants should not be penalized for following their present practice when they have no acceptable option available. By the same token, Plaintiff Rohm & Haas Co. should not be allowed to maintain its complaint merely by virtue of Defendants' conduct when, by virtue of such plaintiff's own conduct, such defendant has been foreclosed from a more acceptable course of conduct.

[462]

III.

If Plaintiff Is Unable to Enforce Its Patent, No Remedy Is Available to It

The decision of *B. B. Chemical,* cited in Part I of this memorandum, shows that Plaintiff Rohm & Haas is not entitled to enforce its patent. Because the plaintiff does not have the protection of the patent laws, no decree may be fashioned prohibiting Defendants' conduct. *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U. S. 225, 229-32, 11 L.Ed. 2d 661, 665-57 (1964); *Compico Corp.* v. *Day-Brite Lighting, Inc.,* 376 U.S. 234, 237-38, 11 L.Ed. 2d 669,672 (1964). Therefore, plaintiff's complaint must be dismissed.

WHEREFORE, Defendants respectively requests that the Court to reconsider its decision not to dismiss plaintiff's complaint.

By /s/ JOHN L. MCCONN, JR.
John L. McConn, Jr.

Attorney in Charge for Defendants

Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company
1100 Esperson Building
Houston, Texas 77002
(713) 237-3188

Of Counsel:

BUTLER, BINION, RICE, COOK & KNAPP
Ned L. Conley
Elliott Cox
1100 Esperson Building
Houston, Texas 77002
(713) 237-3195

[463]

CERTIFICATE OF SERVICE (OMITTED)

[506]

IN THE
UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION No. 74-H-790

ROHM AND HAAS CO.,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC., AND HELENA CHEMICAL COMPANY,
Defendants.

James C. Winters, Crain, Winters, Deaton, James & Briggs, Houston, Texas, for plaintiff.
John L. McConn, Jr., Butler, Binion, Rice, Cook & Knapp, Houston, Texas, for defendants Dawson Chemical Co., Inc., Crystal Manufacturing Corp. and Crystal Chemical Co., Inc.
B. R. Pravel, Pravel and Wilson, Houston Texas, for defendant Helena Chemical Co.

MEMORANDUM AND ORDER

I. INTRODUCTION

This is a suit for patent infringement of a patent owned by plaintiff Rohm and Haas Company. The suit was filed on the day the patent was issued, June 11, 1974, and the parties thereafter entered into a stipulation of the facts in

the hope of presenting to the Court for summary judgment a clear-cut question of law. On November 11, 1974, defendants moved for partial summary judgment on the ground that the stipulated facts established patent misuse as a matter of law. The Court in its Memorandum and Opinion of August 10, 1976, found as a matter of law that plaintiff had in the past misused and continued to misuse its patent and therefore

[507]

granted summary judgment as to the defense of misuse. Despite the finding of misuse, the Court at that time declined to dismiss the action.

II. PENDING MOTIONS

Defendants now urge the Court by way of motions to reconsider its decision not to dismiss plaintiff's complaint. In the alternative, defendants seek an order for immediate appeal under 28 U.S.C. § 1292(b). Defendants Dawson Chemical Company, Crystal Manufacturing Company and Crystal Chemical Company have joined in one such motion. Defendant Helena Chemical Company has submitted a separate motion. In view of the substantial likeness of these motions, they will be treated together by the Court for purposes of this opinion. Helena Chemical Company has also filed a motion for stay of depositions until this Court has resolved the pending motions for reconsideration. Plaintiff opposes the motions for reconsideration of the refusal to dismiss, but joins defendant Helena Chemical Company by way of cross-motion in requesting an order permitting an immediate appeal under 28 U.S.C. § 1292(b). Based upon the reasons and analysis that follow, defendants' motion to reconsider is granted, and the case is dismissed. All other motions are denied as moot.

III. THE APPLICABLE CASE LAW

A. Defendant's Contentions

Defendants urge that in view of the Court's previous finding of misuse in its opinion of August 10, 1976, the Court is now required to dismiss plaintiff's action for infringement.

1. *Morton Salt Co.* v. *G. S. Suppiger Co.*

[508]

Defendants contend that dismissal is required under the holdings in *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488, 86 L.Ed. 363 (1942) (hereinafter *Morton Salt*), and *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 86 L.Ed. 367 (1942) (hereinafter *B. B. Chemical*), which are the leading cases in this area of the law.

In *Morton Salt, supra,* the G. S. Suppiger Company held a patent on a mechine for depositing salt tablets, a device used in the canning industry to add predetermined amounts of salt in tablet form to the contents of cans. The G. S. Suppiger Company leased these patented machines to commercial canners under licenses that specified that only the subsidiary's salt tablets could be used with the leased machines. The Supreme Court agreed with the trial court that the company in so doing was making use of the patent to restrain competition in the marketing of unpatented articles and was creating a limited monopoly in salt tablets that was not within the monopoly granted by the patent. *Morton Salt, supra,* 314 U.S. at 491, 86 L.Ed. at 365. The trial court, after its finding of misuse, dismissed the cause without resolving the remaining issues of validity and infringement. The Supreme Court held the maintenance of a suit under such circumstances was contrary to public

policy and that the district court had rightly dismissed for want of equity. 314 U.S. at 494, 86 L.Ed. at 367. The Court's reasoning in approving such dismissal was expressed thus:

> "Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit . . . is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent . . . Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is

[509]

> "made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."

Morton Salt, 314 U.S. at 493, 86 L.Ed. at 366. *Morton Salt* thus makes it clear that where misuse of a patent is found to exist, equitable and public policy considerations dictate the withholding of relief while such misuse continues extant.

2. *B. B. Chemical Co.* v. *Ellis*

The companion case to *Morton Salt, supra,* is *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495, 86 L.Ed. 367 (1942), decided the same day. Petitioner in that case was the owner of a method patent for reinforcing insoles in shoe manufacture. Petitioner sought an injunction prohibiting infringement, alleging that the acts of infringement amounted to active inducement of infringement by the shoe manufacturers and to cooperation with their infringing acts. Respondents set up as a defense petitioner's misuse of the patent by permitting its use only with the unpatented ma-

terials sold by petitioner. The Supreme Court affirmed the district court's dismissal, saying:

> "[I]n view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the Morton Salt Co. case, we hold that the maintenance of this suit to restrain *any form of infringement* is contrary to public policy, and that the district court rightly dismissed it." (emphasis added)

Id. at 497-98. The result in *B. B. Chemical* thus indicates that the type of infringement alleged, whether contributory infringement or active inducement of infringement, is of no consequence where misuse exists. So long as there is an existing patent misuse, the courts will withhold relief on claims of infringement, regardless of the type of infringement alleged. Thus, under *B. B. Chemical,* plaintiff's allegation

[510]

of active inducement of infringement by defendants will have no effect in the context of deciding whether dismissal is appropriate in the instant case.

3. *Gray Tool Co.* v. *Humble Oil & Refining Co.*

Defendants contend that the case of *Gray Tool Co.* v. *Humble Oil & Refining Co.,* 186 F.2d 365 (5th Cir. 1951) is distinguishable from the instant case and from the decision of the Supreme Court in *Morton Salt Co., supra,* and *B. B. Chemical Co., supra.* (Memorandum in Support of Defendant's Motion for Reconsideration of the Court's Decision Not to Dismiss Plaintiff's Complaint, p. 3). The Court is in agreement. A careful reading of the *Gray* case discloses a different situation from that existing in the in-

stant case. In *Gray,* the district court in an action for patent infringement made a finding of patent misuse and dismissed the action on summary judgment. On appeal the Fifth Circuit found that the record did not support the district court's conclusion that the defense of misuse had been established as a matter of law. The Court of Appeals said (p. 367):

> "Nothing in the pleadings, in the evidence given, or in the admissions made by plaintiff, established as matter of law that it was misusing its patents in an attempt to obtain a monopoly in violation of the applicable rule."

In essence, the Court of Appeals in *Gray* overturned the district court's finding of misuse.[1] Because the misuse finding was rejected in *Gray,* the *Gray* court's refusal to dismiss in no way conflicts with the decisions of the Supreme Court in *Morton Salt, supra,* and *B. B. Chemical, supra,* both of which decisions were made in light of findings of misuse. Thus, the holding in *Gray* in no way diminishes or modifies the effect of the holdings in *Morton Salt* and *B. B. Chemical* on the present case.

[511]

B. Plaintiff's Contentions

Plaintiff urges that it be allowed to litigate the remaining issues of validity and infringement in this case, despite the findings of misuse. In so urging plaintiff cites to the Court several cases which plaintiff contends entitle it to maintain its action for validity and infringement. The authorities so cited are reviewed below.

1. *W. L. Gore & Associates* v. *Carlisle Corp.*

In the case of *W. L. Gore & Associates, Inc.* v. *Carlisle Corp.,* 381 F. Supp. 680 (D. Del. 1974), the plaintiff was the owner of a patent relating to the manufacture of a flat mul-

ticonductor ribbon cable used to transmit electrical signals. The court there found that plaintiff's attempted reciprocal dealing in relation to the patent constituted patent misuse. *Id.* at 706. However, the court then found that plaintiff's unlawful conduct had ended no later than January 8, 1973, when all pending license offers were withdrawn. Thus, the misuse had ceased over a year and a half before the court rendered its decision on September 9, 1974. The court found one of the patents at issue to be valid and infringed, and concluded that the plaintiff was entitled to an injunction prohibiting further infringement, despite the initial finding of misuse.

The Court articulated its reasoning as follows:

> "The considerations for remedying the patent misuse here are somewhat different. A finding that a patent owner has misused its patent does not operate to invalidate the patent, and full rights to enforce a patent that has been misused may be reinstated when it can be shown 'that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated.' Morton Salt Co. v. Suppiger, supra at 492-493, 62 S.Ct. at 405. Plainly, plaintiff abandoned its improper practice by January 8, 1973."

Id. at 706. Having found the misuse purged, the court then

[512]

went on to apply the exhortation of *Gray, supra,* which urges that in devising a remedy for patent misuse, a court should take pains neither to reward the plaintiff for its misuse nor to put a premium on the defendant's wrongdoing. *Id.* at 706. It is to be noted that the *Gray* case came into play only subsequent to the court's finding that the misuse had been purged.

2. *Morrill* v. *Automatic Industries, Inc.*

In *Morrill* v. *Automatic Industries, Inc.,* 93 F. Supp. 697 (W.D. Mo. 1950), plaintiffs brought suit against Automatic Industries, Inc., for infringement of a patent for a rotary side delivery rake, used for raking cut hay and other grasses into windrows. The court found that plaintiffs' patent was valid, and that the patent had been infringed by the defendant. Automatic Industries defended on the ground that plaintiff had so misused their patent rights as to have disqualified themselves from seeking equitable relief on the patents. The court found that the claimed misuse had been purged January 1, 1950, some nine months before the court rendered its opinion, and held plaintiff entitled to recover damages for infringement. The manner in which the alleged misuse was purged is described by the court at page 712:

> "Before closing the evidence herein, plaintiffs introduced in evidence documents revealing a modification of the above Crowe license, effective as of January 1, 1950, and deleting therefrom all matters which defendant contends establishes said license agreement as being against public policy and a misuse of patent rights. As so modified, said license agreement is no longer subject to the contention defendant makes against the provisions of the original Crowe license."

The court specifically found the holding in *Morton Salt* inapplicable, but this finding was made only after the court

[513]

had previously held that the patent misuse had been purged as described in the passage quoted above.

3. *Sylvania Industrial Corporation* v. *Visking Corporation*

In Sylvania Industrial Corporation v. *Visking Corporation,* 132 F.2d 947 (4th Cir. 1943), the controversy centered on four patents of the Visking Corporation which related to artificial sausage casings. On April 3, 1941, the patents were found valid and infringed, but the district court initially denied relief to the plaintiff patent owner on the ground that plaintiff had attempted by its method of doing business and by improper use of the patents to secure a limited monopoly in unprinted regenerated cellulose sausage casing, an unpatented material. In subsequent supplemental proceedings the plaintiff offered evidence that satisfied the district court judge that it had purged itself of its illegal conduct. Therefore, on March 13, 1942, the district court filed an interlocutory decree holding that the plaintiff had by May 12, 1941, purged itself of misuse, and holding further than the plaintiff was entitled to an injunction against future infringement and an accounting from that date for past infringement. Once again, relief was granted on the patent only after a showing that the misuse had been purged.

IV. CONCLUSIONS BASED ON APPLICABLE CASE LAW

There is one feature that stands out quite clearly in all of the cases urged by plaintiff as supporting the theory that plaintiff is entitled to pursue its cause of action despite the finding of misuse. This feature is that in all three cases cited by plaintiff and analyzed above (III.B.), the party as to whom a finding of misuse had been made was allowed to pursue relief only after the court found the

[514]

misuse purged. Equally clear are the holdings of the Supreme Court in *Morton Salt* and *B. B. Chemical* which

stand for the proposition that where misuse is found to exist and remains unpurged, a court will deny relief to the party guilty of misuse, and that dismissal of the cause in such instance is proper.

However, the Court cannot agree with defendants that dismissal is required. The net effect of the caselaw set forth by the parties on this topic is, in the opinion of the Court, to make dismissal legally proper, but not required where some alternative route will have the effect of denying the misusing party relief on the patent and, at the same time, offer some advantage in the form of judicial efficiency or justice to the parties. One possible alternative of this sort would be a stay of the case following a finding of unpurged misuse. Such a stay would normally include a moratorium on discovery so as to deny the misusing party relief. While the parties have not cited, nor is the Court aware of, any cases in which dismissal did not follow a finding of unpurged misuse, the Court believes that the use of such a remedy, where it accomplishes the purposes expressed in *Morton Salt, supra,* is in keeping with the traditionally flexible nature of equitable remedies.

V. FACTORS IN COURT'S DECISION TO DISMISS RATHER THAN TO STAY THIS ACTION

The Court, after careful consideration of the applicable caselaw, the briefs of counsel and the facts of this case, has opted to dismiss this action rather than stay it. Several factors entered into the Court's thinking in arriving at this result. First, there has been no attempt by the plaintiff to show that it has purged or will purge itself of its misuse of the patent. On the contrary, plaintiff

[515]

has steadfastly refused to issue licenses or take any action which this Court might interpret as an attempt to purge.

Thus, there can be no motive to stay based upon a purge of misuse being either in process or imminent. Secondly, any damages to plaintiff are merely speculative at this point since damages for infringement are not available during a period of misuse. *Sylvania Industrial Corp.* v. *Visking, supra* at 957. It is clear that improper use does not invalidate a patent, and that if a patent owner purges himself of the misuse he may then enforce his patent and recover damages for infringement occurring thereafter. *Novadel-Agene Corp.* v. *Penn,* 119 F.2d 764, 766-67 (5th Cir. 1941). However, in the case at bar, any purge is likely to involve the issuance of licenses to defendants, thus precluding the possibility of further infringement since defendants would then be using the patents in accordance with the license. Even assuming that plaintiff after purging itself of misuse could assert a claim to relief, plaintiff will not by the dismissal be left without remedy, since plaintiff may after purging itself of misuse come in and re-file. *Novadel-Agene Corp.* v. *Penn, supra.*

Third, both parties have clearly indicated to the Court their wish and intent to appeal this case. Both parties have submitted motions requesting this Court to certify the case for appeal under 28 U.S.C. § 1292(b), which governs appeal of interlocutory matters. One of the requirements for certification under section 1292(b) is that an immediate appeal may materially advance the ultimate termination of the litigation. Both plaintiff and one of the defendants have in the course of urging this Court to certify under section 1292(b) represented to this Court that a holding by the Fifth Circuit Court of Appeals on the question of misuse is

[516]

likely to dispose of this case either entirely or almost entirely, whether the Court of Appeals affirms or reverses the

holding of this Court. (*See* Plaintiff's Memorandum, filed September 17, 1976, p. 3; Memorandum of Defendant Helena Chemical Co., filed September 13, 1976, p. 5). Assuming these representations to be correct, there would seem to be no advantage in staying the case. Additionally, dismissal of the complaint will allow plaintiff to proceed immediately with a direct appeal in this case, rather than forcing plaintiff to attempt to bring itself within the purview of section 1292(b) in order to obtain review of this Court's unfavorable (to plaintiff) ruling on the issue of misuse. The totality of the foregoing factors in combination with the applicable caselaw lead this Court to conclude that the interests of justice and of judicial efficiency are better served by a dismissal, rather than by a stay of proceedings, in this case.

VI. CONCLUSION

For the foregoing reason, defendants' motion for reconsideration of the Court's decision not to dismiss plaintiff's complaint is granted; and plaintiff's cause of action should be, and it hereby is, dismissed. Such dismissal is without prejudice to plaintiff's right to re-file upon sufficient showing that it has purged its misuse.

All other pending motions are denied as moot in view of the dismissal.

In regard to this Court's Memorandum and Opinion of August 10, 1976, the portion of that Opinion, V.B., in which

[517]

this Court declined to dismiss is hereby withdrawn, and the instant discussion and ruling are substituted therefor.

DONE at Houston, Texas, this 23rd day of November 1976.

/s/ Carl O. Bue, Jr.
Carl O. Bue, Jr.
United States District Judge

[518]

FOOTNOTE

[1] The Court now notes that the circumstances surrounding the finding of misuse by the district court in *Gray* were in significant contrast to the circumstances in the instant case. Here the parties have agreed that there are sufficient facts upon which to render a summary judgment and have stipulated to those facts for the avowed purpose of enabling this Court to render a decision as a matter of law on the issue of misuse. (Plaintiff's Memorandum, filed September 17, 1976, p. 1). It was in response to these activities of the parties that this Court's order of partial summary judgment on the issue of misuse was entered on August 10, 1976.

[519]

In the

UNITED STATES DISTRICT COURT

For The Southern District of Texas
Houston Division

Civil Action No. 74-H-790

Rohm and Haas Co.,
Plaintiff,

v.

Dawson Chemical Co., Inc., et al,
Defendants.

FINAL JUDGMENT

From a consideration of the pleadings submitted in this cause, it is the opinion of this Court that this action should be and is hereby dismissed.

THIS is a FINAL JUDGMENT.

DONE at Houston, Texas, this 23rd day of November, 1976.

/s/ Carl O. Bue, Jr.
Carl O. Bue, Jr.
United States District Judge

[520]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS CO.,
Plaintiff,

v.

DAWSON CHEMICAL CO., INC., ET AL,
Defendants.

NOTICE OF APPEAL

Notice is hereby given that Rohm and Haas Co., Plaintiff above named, hereby appeals to the United States Court of Appeals for the Fifth Circuit from the Final Judgment entered in this action on the 23rd day of November, 1976.

Respectfully submitted,
/s/JAMES C. WINTERS
James C. Winters
Attorney in Charge for
Plaintiff

Of Counsel:
CRAIN, WINTERS, DEATON,
JAMES & BRIGGS
3300 Two Houston Center
Houston, Texas 77002

CERTIFICATE OF SERVICE (OMITTED)

• • •

[524]

IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS COMPANY, a corporation,
Plaintiff,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY, corporations,
Defendants.

JOINT NOTICE OF APPEAL

Notice is hereby given that Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company (collectively referred to hereinafter as "Crystal"), some of the Defendants above named, hereby appeal to the United States Court of Appeals for the Fifth Circuit from the Final Judgment entered in this action on November 23, 1976 insofar as such Final Judgment dismisses Crystal's counterclaims and denies Crystal its costs,

attorneys' fees, compensatory damages, a trebling of damages and injunctive relief.

Respectfully submitted,

/s/John L. McConn, Jr.,
John L. McConn, Jr.,

/s/Ned L. Conley,
Ned L. Conley,

Attorneys for Defendants,

Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company
1100 Esperson Building
Houston, Texas 77002
713/237-3188

Of Counsel:
Butler, Binion, Rice, Cook & Knapp
Elliott Cox
1100 Esperson Building
Houston, Texas 77002
713/237-3650

In The
UNITED STATES COURT OF APPEALS
For The Fifth Circuit

No. 76-4511

Rohm and Haas Company,
Plaintiff-Appellant Cross-Appelle,

v.

Dawson Chemical Company,
Crystal Manufacturing Corporation,
Crystal Chemical Company, and
Helena Chemical Company,
Defendants-Apellees Cross-Appellants.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS

(July 30, 1979)

Before GEE and VANCE, Circuit Judges, and HUNTER, District Judge.*

GEE, Circuit Judge:

This is an appeal from a grant of summary judgment dismissing plaintiff's claim in a patent infringement suit. It is stipulated that plaintiff-appellant Rohm & Haas Company is sole owner of a patent that describes a method of

* District Judge of the Western District of Louisiana, sitting by designation.

applying a chemical compound, 3, 4-dichloropropionanilide (hereinafter "propanil"), to established crops such as rice so as to inhibit the growth of weeds selectively. Propanil itself is not patented; Rohm & Haas succeeded in having a Monsanto patent on the chemical declared invalid in an earlier suit against it by Monsanto.[1]

Rohm & Haas currently makes propanil and sells it in containers bearing instructions for performing the patented process. By operation of law, purchasers of propanil thus receive implied license to use the patented method. Rohm & Haas does not intend either to license other propanil manufacturers to enable them also to license customers to use the patented method or to license customers to use the method with propanil bought from sources other than Rohm & Haas.

The defendants Helena Chemical Company, Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company, sold propanil for application to rice crops before Rohm & Haas received its patent. Thereafter they continued to sell propanil, knowing of the patent, and their customers have directly infringed the patent by following the method described on defendants' containers of propanil. Defendants intend to continue making and selling propanil with the same recommendations and instructions.

Alleging most of these facts in its complaint and the additional fact that propanil is a nonstaple that has no substantial noninfringing use,[2] Rohm & Haas brought suit

[1] *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F.Supp. 778 (E.D.Pa 1970), *aff'd*, 456 F.2d 592 (3d Cir.), *cert. denied*, 407 U.S. 934, 92 S.Ct. 2463, 32 L.Ed.2d 817 (1972).

[2] Defendants Helena and Crystal, at least, seem to have conceded this factual matter for the purpose of the present motions.

Two crucial terms in section 271(c), set out fully in the text below, are "staple article" and "commodity of commerce suitable for substantial noninfringing use." The chief draftsman of the provision, Mr. Giles S. Rich, now Associate Judge of the United States Court of Customs and Patent Appeals, has indicated that the terms are not synomymous. *See Infringement Under Section 271 of the Patent Act of 1952*, 35 U.Pat.Off.Soc'y 476, 493 (1953).

For the sake of simplicity in the technical discussions that follow, however, we have used "staple" to mean a commodity or product with substantial uses apart from the patented invention. By "nonstaple" we have meant to denote a product or material *lacking* substantial uses other than infringing uses. This is not necessarily the sense in which similar terms were used by the Supreme Court in early contributory infringement or misuse cases.

Section 271 contains one other requirement — that the component or material "constitut[e] a material part of the invention." We here assume that propanil will also meet this test, since it is the active ingredient in producing the weed-inhibiting effect of the patented method.

against the defendants for injunctive and declaratory relief. It alleged that the defendants were actively inducing infringement of the patent and that their sales amounted to contributory infringement since they knew that propanil is a material part of the patented invention, is especially made or adapted for use in the patent, and has no substantial noninfringing use. In their answers, defendants alleged that Rohm & Haas was not entitled to relief because its licensing program amounted to patent misuse and because its patent was invalid for various reasons. They also counterclaimed, alleging that the Rohm & Haas licensing scheme and other behavior violated the antitrust laws.[3] The licensing program

[3] Some of the additional allegations are rather serious. Defendants charge that for at least two years prior to the issuance of the method patent, Rohm & Haas representatives coerced distributors into refusing to purchase propanil from anyone else by threatening that uncooperative distributors would be cut off from a supply of propanil after the method patent issued. Since the right to exclude is created by the patent grant and an inventor cannot sue anyone for using his invention before the patent is issued, *Gayler* v. *Wilder*, 51 U.S. (10 How.) 477, 493, 13 L.Ed. 504 (1850), such coercive attempts to gain exclusivity before a patent issues may well constitute misuse. Since the court below has not addressed these contentions, we leave them for another day, observing, on the one hand, that such conduct is not purportedly immunized by § 271(d) and, on the other hand, that misuse traditionally bars an infringement suit only until the misuse has been purged.

was specifically attacked as an impermissible tying of purchase of a license under the patent to purchase from Rohm & Haas of the unpatented propanil.

All the parties agree that Rohm & Haas' conduct can be characterized as an attempt to "extend the patent" and thus monopolize the market for the unpatented component — conduct deemed patent misuse under the doctrine of *Mercoid Corp* v. *Mid-Continent Investment Co.*, 320 U.S. 661, 64 S.Ct. 268, 88 L.Ed. 376 (1944). The main point of disagreement for purposes of this appeal is whether 35 U.S.C. § 271(d) reverses the *Mercoid* misuse doctrine when the unpatented component sold is a nonstaple, with no substantial market apart from its use in the patented process. In an able and carefully considered opinion, the district court below concluded that section 271(d) does not immunize Rohm & Haas from charges of patent misuse, and thus he granted the defendants' motion for summary judgment and dismissed the complaint until Rohm & Haas has purged itself of the misuse. Our consideration of the matter has led us to the contrary conclusion; thus we reverse.

We begin by placing in clear view the statute we construe. The simplicity and ostensible clarity of its words belie the complex and delicate questions of interpretation it has spawned — to the delight of commentators. It reads as follows:

Section 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a

material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

35 U.S.C. § 271 (1952).

By a very plausible construction of these passages, assuming the patent is valid, defendants are contributory infringers because they have sold propanil for use in practicing a patented process, knowing that the chemical, a material part of the inventive method, is not a staple or commodity of commerce, has no substantial noninfringing use, and is especially made or adapted for use in infringing the patent.

By a further tenable reading of the statute, the plaintiff Rohm & Haas has done only acts which under (d) may no longer be deemed patent misuse or illegal extension of the patent. It has "derived revenue" from sales of propanil, conduct that, under (c), constitutes contributory infringement when done by those who, like defendants, act without consent. And it now "seeks to enforce" its patent rights by

suit against defendants' contributory infringement. That it has refused to give licenses either to customers or manufacturers of propanil is of no consequence under this analysis since there is no general policy requiring a patentee to grant explicit licenses in addition to those that arise by operation of law. Moreover, the introductory portion of (d) provides that a patentee may do "one or more" of the enumerated practices. This reinforces the view that a patentee may sell unpatented components while refusing to license others to do the same conduct — sell the unpatented component — without thereby being deemed guilty of misuse.

Assessing plaintiff's conduct through a different lens, defendants argue that what Rohm & Haas has done is *tie* sale of patent rights to purchase of an unpatented element used in carrying out the process. This coercive conditioning of one sale upon another is not mentioned in subsection (d) and therefore survives as a type of misuse sufficient to cause dismissal of plaintiff's suit. Under this analysis, Rohm & Haas is not, in the statutory language, "otherwise entitled to relief," and thus the statute does not immunize its sale of propanil so long as it refuses to license competitors. The statute does not ratify tying of any sort, they claim, and it is even more reprehensible that plaintiff claims such rights regarding a nonstaple. If plaintiff's view prevails, defendants will be entirely foreclosed from any domestic outlet for their product, unlike those who sell mere staples.

Each of these positions is a plausible reading of the bare statute, and each side can cite commentary supporting its particular view.[4] The proper starting place for resolving

[4] Commentary supporting Rohm & Haas' interpretation of § 271 includes, *e. g.*, Note, *Combination Patents: The Right to Prohibit the Sales of Replacement Parts,* 70 Yale L.J. 649 (1961), J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine,* 26 S.Ca.L.Rev. 539 (1975), reprinted in 58 J.Pat.Off.Soc'y 69 (1976).

Commentary tending to support defendants' view of the statute includes, e.g., Note, *Section 271(b) of the Patent Act of 1952: Confusion Codified,* 66 Yale L.J. 132 (1956); Note, *Contributory Infringement and Misuse — The Effect of Section 271 of the Patent Act of 1952,* 66 Harv.L.Rev. 909 (1953).

the conflict is with the statute's legislative history. Before beginning, however, a review of the doctrines of contributory infringement and patent misuse will be helpful in understanding the terms of the debate waged in congressional hearings on the proposed statute.

The doctrine of contributory infringement was a judicial invention designed to give effective protection to patentees, perhaps occasioned by a narrow judicial definition of *direct* infringement whereby one does not infringe unless he, for example, assembles or practices *every* element claimed in a patent. *Prouty* v. *Draper,* 41 U.S. (16 Pet.) 336, 10 L.Ed. 985 (1842).

Under the latter construction, it soon became apparent that one could appropriate the competitive advantages of a patent by, for instance, selling all the parts of a patented device save one and relying on the purchaser, the direct infringer, to supply the final element and thus complete the device. Permitting such conduct would have effectively immunized both the buyer and the seller, since suits against the many direct infringers were difficult and often uneconomical. Applying general tort principles, the courts provided a remedy for the patentee against such sellers by deeming them joint tortfeasors with their customers, the direct infringers. To avoid ensnaring innocent merchants who sold goods that later and without their knowledge were fashioned into infringing combinations by buyers, the courts required proof that a merchant had intended to

encourage infringement. The requisite intent was presumed, however, when the items sold had no use except in the infringing combination.[5]

As will be observed from the above discussion, the contributory infringement doctrine focuses on the conduct of patent infringers, rather than on that of the patentee. The theoretical basis for the doctrine was more general, however. The doctrine rested on particular views about the manner in which patentees should be able to extract full economic value from their inventions. This can be seen by reflecting on the result of a successful suit for contributory infringement. The prevailing patentee traditionally could secure an injunction against the contributory infringer and thereby drive him from the relevant market. *See, e. g., Thomson-Houston Electric Co.* v. *Kelsey Electric R. Specialty Co.*, 72 F. 1016 (2nd Cir. 1896). The result, especially when the contributory goods sold were not useful for other purposes, was that the patentee effectively gained control over the market for mere *elements* of his patent — elements that might be, but more probably were not, patented in themselves. In effect, therefore, a patentee could force anyone who wished to practice his patented process or use his patented machine to purchase the necessary unpatented components from him.

This state of affairs did not bother many courts in the early days of contributory infringement. Against objections that these injunctions in essence extended the scope of the patent so as to give the patentee the same advantage as if the element had also been patented, courts answered that

---

[5] Further discussion of the early cases can be found in C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J.Pat.Off.Soc'y 86 (1971); Note, *Regulation of Business — Patents — Effect of Section 271 on the Doctrine of Contributory Infringement*, 55 Mich.L.Rev. 909 (1953).

a patentee had not been given an additional patent *in terms* and that they would not prohibit the use of the unpatented element in some other combination if another ingenious use for it could be discovered. *See opinion* of Judge Putnam in *Davis Electrical Works* v. *Edison Electric Light Co.* 60 F. 276, 280 (1st Cir. 1894). And focusing on the analytically similar problem of a patentee's right explicitly to condition use of his patented product or process upon an agreement to buy from him its unpatented elements or unpatented items used with it, courts observed that any monopolistic tendencies would be the legitimate consequence of the meritorious character of the patentee's invention. A patentee would be able to impose restrictive conditions for use of concomitant elements only to the extent of the buyer's valuation of the patented invention itself. *Heaton-Peninsular Button-Fastener Co.* v. *Eureka Speciality Co.* 77 F. 288 (6th Cir. 1896), exhibits the classic analysis. Observing that patentees had always been accorded the right to retain exclusive use of their inventions, even to the point of suppressing them entirely for the statutory period of monopoly, Judge Lurton hypothesized the case of an invention that so reduced the cost of making shoes, an unpatentable end product, that by underselling his competitor manufacturers the patentee was able to drive them from the shoe market. He then reasoned:

> [I]f the patentees, by retaining to themselves the exclusive use of their invention, are able, legitimately and lawfully, to acquire a monopoly of the manufacturer of shoes and destroy the shoe market for those who before had shared it, why may they not, by a system of restricted licenses, permit others to use their devices on condition that only some minor part of the shoe, — the pegs, the tips, the thread, or the buttons, or the button fasteners, — shall be bought from them? If these concessions were such as to enable others to compete though their use of the mechanism was re-

> stricted by the terms of the license, who could justly complain if the inventors, content with a monopoly of the market for the article named in their license, surrendered the opportunity for a monopoly of the manufacture of the complete shoe?

Id. at 295.

Initially the Supreme Court showed hesitation when asked to recognize a patentee's derivative power regarding unpatented elements. In *Morgan Envelope Co.* v. *Albany Perforated Wrapping Co.*, 152 U.S. 425, 14 S.Ct. 627, 38 L.Ed. 500 (1894), the patentee-plaintiff held two patents. One, found invalid by the Court, covered toilet paper rolled into an oval configuration; the other was a combination patent covering the oval roll of paper and a dispenser that together delivered the paper in premeasured lengths. In ruling that the defendant's sale of oval paper rolls for use with the plaintiff's dispenser was not an infringement, the Court employed two entwined but distinguishable strands of analysis. It first determined that the principle of contributory infringement should not apply when the item sold was "an article of manufacture, perishable in its nature, which it is the object of the mechanism to deliver, and which must be renewed periodically, whenever the device is put to use." 152 U.S. at 433, 14 S.Ct. at 630-631.

Of seemingly equal importance, however, was its second observation that, when the item sold was not itself patentable, the contrary outcome would be "giving to the patentee of the machine the benefit of a patent upon the product, by requiring such product to be bought of him." *Id.* The brief opinion shifts back and forth between these two thoughts, and it is difficult to determine whether the Court's concerns about extending the patent were aroused only when the item dealt in was a perishable staple requiring replacement or might also extend to nonstaple or

uniquely active elements of a patent. Aspects of what came to be known as "patent misuse" were involved in *Morgan Envelope,*[6] but the Court, though it refused to ratify the plaintiff's right to these tactics as regards the rolls of paper, did not seem to consider the conduct as independently wrongful. Rather, certain language suggests that such conduct would be an appropriate concomitant of holding a patent whose elements were not mere staples.[7]

In the leading case of *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325, 29 S.Ct. 503, 53 L.Ed. 816 (1909), the Court retreated from its ambiguous reluctance to give protection to unpatented elements of a combination patent. Plaintiff Victor, whose patent covered disc records and a stylus that combined to reproduce the sound recorded on the discs, had sued Leeds & Catlin to prevent its sale of other recorded discs that were to be used by owners of Victor machines in an alleged infringement. Leeds' primary defense was that use of its records with the Victor stylus accomplished a permissible "repair" of the patented device

---

[6] The plaintiff's practice had been to sell its dispensers only in connection with its oval rolls. Purchasers were required to buy a given quantity of paper for a given number of fixtures, and certain institutional buyers were required to buy subsequent roll supplies from the patentee. 152 U.S. at 431-32, 14 S.Ct. 627.

[7] For instance, immediately after noting that holding for plaintiff would be giving the patentee of "the machine" the benefit of a patent on the product as well, the Court added:

> To repeat an illustration already put: If a log were an element of a patentable mechanism for sawing such log, it would, upon the construction claimed by the plaintiff, require the purchaser of the sawing device to buy his logs of the patentee of the mechanism, or subject himself to a charge of infringement. This exhibits not only the impossibility of this construction of the patent, but the difficulty of treating the paper as an element of the combination at all.

152 U.S. at 433, 14 S.Ct. at 631. Moreover, it is interesting to note that the plaintiff did not hold a patent on the dispenser, "the machine," in itself — but only on the combined dispenser with paper — yet the Court seems to speak as if he did.

rather than a prohibited "reconstruction." Reviewing "some rudimentary principles" regarding combination patents before assessing this contention, the Court observed that, whether constituted of new or old elements, it is the combination that is the relevant and is protected by law as a unit. The Court reiterated, however, that whoever contributes to the use of the combination absent permission also infringes the patent and, in words striking close to the position enunciated in *Morgan Envelope,* continued:

> It may be well here to get rid of a misleading consideration. *It can make no difference as to the infringement or noninfringement of a combination that one of its elements or all of its elements are unpatented.* For instance, in the case at bar the issue between the parties would be exactly the same, even if the record disc were a patented article which petitioner had a license to use or to which respondent had no rights independent of his right to its use in the combination. In other words, the fact that the disc sold by petitioner is unpatented does not affect the question involved except to give an appearance of a limitation of the rights of an owner of a Victor machine other than those which attach to him as a purchaser. The question is, What is the relation of the purchaser to the Victor Company? What rights does he derive from it? To use the machine, of course, but it is the concession of the argument of petitioner that he may not reconstruct it. Has he a license to repair deterioration and when does repair become reconstruction?

213 U.S. at 333, 29 S.Ct. at 505 (emphasis added). With this language, the Court seemed to reject the notion that the patent status of mere elements is a source of limits on the rights of patentees against their licensees, customers or alleged infringers. The inquiry is shifted instead to an examination of the contractual relationship between the purchaser and the patentee. *Morgan Envelope,* on which the defendants had relied heavily, was distinguished. As

contrasted with the paper rolls that stood in relation to the dispenser as "a machine and its product" and that perish in use, requiring periodic renewal, the disc and stylus were each active elements in producing the result, distinguishing the invention and advancing upon the prior art. *Id.* 213 U.S. at 333-36, 29 S.Ct. 503.

The Court also rejected the defendant's attempt to characterize its discs as a staple item of manufacture, noting that the trial court had found that the allegedly noninfringing device in which the defendant's records could be used was not commercially viable. Defendants therefore knew that the only use their records would receive would be in connection with the patented machine. The Court also noted, however, that the injunction forbade only the use of the records in connection with the patent. *Id.* at 337, 29 S.Ct. 503.

Following *Leeds & Catlin,* the Court allowed patentees even greater latitude in reaping economic benefits from their inventions through license restrictions or notice. *Henry* v. *A. B. Dick Co.,* 224 U.S. 1, 32 S.Ct. 364, 56 L.Ed. 645 (1912), written by Justice Lurton, who had earlier penned the *Button-Fastener* opinion for the Sixth Circuit, marks the high water in this area The principles enunciated in *Dick* effectively enabled a patentee to "tie" ordinary staples of commerce, none of which was even an element of the patented device, to a purchaser's right to use the device. This result was achieved by enforcing through the patent law instead of general contract law a notice attached to each patented machine at sale that required the purchaser to use the machine only with stencil paper, ink, or other supplies made by the patent holder, A. B. Dick. The majority ruled that any breach of these conditions by the buyer constituted infringement of the underlying patent and that any conduct aiding the breach was contributory infringement.

On the question whether, thus applied, the doctrine of contributory infringement operates to extend the monopoly of the patent to subjects not within it, Justice Lurton stated:

> If a patentee says, "I may suppress my patent if I will. I may make and have made devices under my patent, but I will neither sell nor permit anyone to use the patented things," he is within his right, and none can complain. But if he says, "I will sell with the right to use only with other things proper for using with the machines, and I will sell at the actual cost of the machines to me, provided you will agree to use only such articles as are made by me in connection therewith," — if he chooses to take his profit in this way, instead of taking it by a higher price for the machines, has he exceeded his exclusive right to make, sell, and use his patented machines? *The market for the sale of such articles to the users of his machine, which, by such a condition, he takes to himself, was a market which he alone created by the making and selling of a new invention. Had he kept his invention to himself, no ink could have been sold by others for use upon machines embodying that invention. By selling it subject to the restriction, he took nothing from others and in no wise restricted their legitimate market.*

224 U.S. at 32, 32 S.Ct. at 373 (emphasis added). Observing that a like objection had been made against injunctions restraining the sale for infringing purposes of a single element in a patented combination, the majority then answered the contention in the language of Judge Putnam in *Davis Electric,* discussed above.

Justice White, for the minority, voiced conflicting reasoning that later became prevalent in patent misuse cases:

> [T]he ruling now made in effect is that the patentee has the power, by contract, to extend his patent rights so as to bring within the claims of his patent things which are not embraced therein, thus virtually legislating by causing the patent laws to cover subjects to which, without the exercise of the right of contract, they could not reach, the result not only to multiply monopolies at the will of an interested party, but also to destroy the jurisdiction of the state courts over subjects which, from the beginning, have been within their authority.

Id at 53, 32 S.Ct. at 381.

Two years later in partial response to *Dick,* Congress passed section 3 of the Clayton Act and the Federal Trade Commission Act. New members of the Court joined with the *Dick* minority to form a new majority, and thereafter the Court began a retreat from the principles just reviewed. Their vehicle was the new doctrine of patent misuse.

In *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.,* 243 U.S. 502, 37 S.Ct. 416, 61 L.Ed. 871 (1917), Mr. Justice Clarke, for the new majority, held that a patentee may not, as a function of general *patent* law,[8] require by notice a purchaser to limit use of a patented movie machine to unpatented films that do not form part of the patented machine. With the attempted restriction ruled invalid, there was no further basis for a charge of direct or contributory infringement, and the plaintiff was denied relief.

The Court rested its decision, which of course required reversing *Dick,* on an analysis of "fundamental" principles embodied in the patent statute. From the basic proposition that the scope of a patent is limited to the invention described in its claims, coupled with the rule that the sta-

[8] The Court left open the question whether the patentee and purchaser could agree to a similar restriction by "special contract," but its language about the public policies implicated by such arrangements cast some doubt on the validity of such tactics as well. 243 U.S. at 509, 513, 37 S.Ct. at 419.

tutory policy of benefitting the public outweighs the policy of benefitting inventors, the Court concluded that the monopoly granted by law should not extend to, and thus cannot sanction a patentee's control of, mere materials "with which or on which the machine operates." 243 U.S. at 509-13, 37 S.Ct. at 419. The majority further reasoned that a reward based on the entire invention was a fair measure of an inventor's creativity and that "he should not be permitted by legal devices to impose an unjust charge upon the public in return for the use of it." *Id.* at 513, 37 S.Ct. at 419. The *Dick* majority had thought well of the patentee's system of selling a machine at practically cost and making its entire profit from the sale of supplies because the intention was thereby made widely available to the public. The new majority thought such facts "the clearest possible condemnation of [the patentee's system]." Echoing the *Dick* dissent, Justice Clarke explained:

> [I]t proves that, under color of its patent, the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used, and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine.

243 U.S. at 517, 37 S.Ct. at 421.

In *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, 51 S.Ct. 334, 75 L.Ed. 819 (1931), the Court reviewed a merchandising system in which the patentee and its licensee sold solid carbon dioxide and by notice, without extra charge, extended to each customer an implied license to use the dry ice in patented cardboard transportation packages. Neither the plaintiff nor other licensees actually

sold these cardboard packages. The Court relied on *Motion Picture's* reasoning to categorize this conduct as "abuse of the patent monopoly" and a bar to relief against a contributory infringer. The system was considered the equivalent of conditioning grant of a patent license on the purchase of unpatented materials used in connection with the invention.

The plaintiffs tried to distinguish *Motion Picture* by arguing that the unpatented item sold here was a necessary element of the patented combination, as opposed to a mere supply used with the invention. They also sought to distinguish themselves from *Morgan Envelope* by arguing that, unlike the passive toilet paper there involved, the carbon dioxide was the dynamic element that produced refrigeration. Justice Brandeis, for the majority, rejected these distinctions as lacking legal significance.

> Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee. . . . The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used. Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention.

283 U.S. at 33, 34, 51 S.Ct. at 336. He next analogized the patentee's conduct to antitrust violations in which patents had been used as instruments for restraining commerce.[9]

---

[9] Building on the previous construction of Clayton Act, Section 3, in *United Shoe Machinery Corp.* v. *United States*, 258 U.S.

Finally, the principle of *Leeds & Catlin* was distinguished since "[t]here was no suggestion that the Victor Company, which itself manufactured and sold the patented product," sought to derive its profits from the unpatented element, as opposed to the invention as a whole.

In *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U.S. 458, 58 S.Ct. 288, 82 L.Ed. 371 (1938), the Court assessed the mode of business used now by Rohm & Haas. The patentee thought it might foreclose a misuse defense by carefully avoiding use of notices or explicit contract restrictions. It merely sold materials used in carrying out the patented process, thereby granting an implied license to use the patented invention. The Court, however, had no trouble identifying its conduct as prohibited tying, despite the lack of an explicit condition that the license was granted only upon purchase of the materials used in the process.

In *Leitch,* as in all the earlier misuse cases to reach the Court, the patentee had been profiting by sale of *staple* elements or concomitants of the patent. It was still possible for the bar to think that a patentee might not be deemed guilty of misuse for attempting to control the market in

451, 42 S.Ct. 363, 66 L.Ed. 708 (1922), and on this reference in *Carbice,* analysis of conduct constituting patent misuse as an independent violation of antitrust laws proceeded apace in later years. In *IBM* v. *United States,* 298 U.S. 131, 56 S.Ct. 701, 80 L.Ed. 1085 (1936), the Justice Department won a section 3 suit against IBM for leasing its patented tabulating machines upon condition that lessees use with the machines only tabulating cards sold by IBM. Though both the machines and the cards, at least once they had been punched to encode information, were separately patented, the Court ruled that the tying clause was prohibited by section 3. The effect of the condition, the Court stated, "may be to substantially lessen competition." The Court thought such a clause necessarily tended to create a monopoly and had in fact been an important and effective step in creating an IBM monopoly.

unpatented elements that had no use at all outside his patented invention.[10]

Though such a distinction between staples and nonstaples was rejected at the appellate level in one of the next pair of cases to reach the Court, *Morton Salt Co.* v. *G. S. Suppiger Co.,* 314 U.S. 488, 62 S.Ct. 402, 86 L.Ed. 363 (1942), and *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495, 62 S.Ct. 406, 86 L.Ed. 367 (1942), the various Supreme Court opinions do not address the question. In *Morton Salt,* the Court for the first time upheld a summary judgment dismissing a patentee's suit against a *direct* infringer on misuse grounds. In addition to the customary language about the anticompetitive effects of misuse, the Court's opinion included a new attention to the effect on competition of a successful infringement suit itself:

> Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent. Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish.

314 U.S. at 493, 62 S.Ct. at 405.

B. B. Chemical, the case involving the possible staple/nonstaple distinction, is noteworthy here primarily because in it the Court rejected the potential defense of commercial

[10] Broad statements of the *Carbice* rule, however, like that in *Leitch,* "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited," 302 U.S. at 463, 58 S.Ct. at 290, should have counseled caution.

practicability. The patentee had argued that he should be allowed to sell the unpatented materials with an implied license to practice the patented method because he could not practicably exploit the particular patent rights by granting licenses. The Court replied that the patent monopoly is not to be enlarged simply because it would be more convenient for the patentee to have it so or because he "cannot avail himself of its benefits within the limits of the grant." 314 U.S. at 498, 62 S.Ct. at 408.

The culmination of the developing misuse theory occurred in companion decisions in 1944, *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661, 64 S.Ct. 268, 88 L.Ed. 376 (1944) (*Mercoid I*), and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 64 S.Ct. 278, 88 L.Ed. 396 (1944) (*Mercoid II*). In these cases the Court definitively entered *Leeds & Catlin* turf and held it misuse for a patentee to attempt to control the market for unpatented elements that had no use at all outside the patented invention. The combination patent at issue in *Mercoid* covered a furnace stoker system. Mid-Continent held the patent and had granted an exclusive license to Minneapolis-Honeywell to make, use, or sell the patent and/or to sublicense others. Neither company made or installed the entire patented system; Minneapolis-Honeywell merely sold the stoker switches which, when installed with a thermostat and a motor-driven stoker, formed the patented combination. The right to construct the combination was granted only to those who bought Minneapolis-Honeywell switches; royalties from Minneapolis-Honeywell to Mid-Continent were based on the sales of the unpatented stoker switches. The defendant Mercoid Corporation was an unlicensed competitor in the business of selling the switches, and a lower court opinion reveals that Mercoid had earlier refused an offer of a license.

In *Mercoid I,* though the Court assumed that Mercoid was a contributory infringer and could have been enjoined by an innocent patentee, it barred Mid-Continent from enforcing the patent because its licensing system constituted an attempt to extend the grant of the patent to unpatented devices. Admitting that the earlier cases had involved the use of a patent to secure partial monopoly "in supplies consumed in its operation or unpatented materials employed in it," the Court, through Justice Douglas, could see no difference in principle where the unpatented material or device "is itself an integral part of the structure embodying the patent" and was not useful in any other manner. 320 U.S. at 665, 64 S.Ct. at 271. The Court saw in the patentee's conduct not a struggle to protect its rights regarding the combination patent, but rather a contest "solely over unpatented wares which go into the patented product." *Id.* at 666, 64 S.Ct. at 271-272. Thus, the patent was being impermissably employed to protect the market for a device on which no patent had been granted. Irrespective of whether the stoker switch was "the heart of the invention" or the "advance in the art," since the separate element had not been claimed as the invention, it is not protected by the patent monopoly "when dealt with separately." *Id.* at 667, 64 S.Ct. 268.

In language thought by many to have abolished the doctrine of contributory infringement, Justice Douglas proceeded:

> The protection which the Court in [*Leeds & Catlin*] extended to the phonograph record, which was an unpatented part of the patented phonograph, is in substance inconsistent with the view which we have expressed in this case. The rule of the *Leeds & Catlin Co.* case (No. 2) accordingly must no longer prevail against the defense that a combination patent is being used to protect an unpatented part from competition.

> . . . Where there is a collision between the principle of the *Carbice Case* and the conventional rules governing either direct or contributory infringement, the former prevails.
>
> The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider.

320 U.S. at 668-69, 64 S.Ct. at 272-273.

In *Mercoid II,* Mr. Justice Douglas went even further and ruled that the legality of any attempt to bring unpatented goods within the protection of the patent is measured by the antitrust laws, not by the patent law. Further, he ruled, the effort there made to control competition in the unpatented switch plainly violated the antitrust laws, and he remanded the case for further proceedings on the alleged infringer's antitrust counterclaim.[11]

In the aftermath of *Mercoid,* strange to say, there was great confusion in the courts and among the patent bar regarding the proper scope of contributory infringement. Some courts, carrying the Court's reasoning and dictum to the extreme, held that merely filing a suit for contributory infringement constituted an attempt to control the market in unpatented goods and dismissed the suit for misuse. *See, e. g., Stroco Products* v. *Mullenbach,* 67 U.S.P.Q. 168 (S.D.Cal. 1944). A movement arose among the bar to put some effective measure of contributory infringement back into the law, and various committees came forward to draft proposed legislation for consideration by the congressional committee then codifying the general patent law. The ultimate result was section 271.

[11] Despite the broad language in *Mercoid II,* there has continued to be a distinction drawn between acts that will cause an equity court to withhold its aid — the defense of patent misuse —

Before turning to the legislative history of that provision, we offer a few reflections on the two doctrines it touches. In addition to briefly recounting the development of contributory infringement and misuse, it has been a purpose of the above review to demonstrate that, though the doctrines are technically distinct — one focusing solely on the patentee's conduct and the other focusing solely on that of the alleged infringer — they rest on antithetical underpinnings. The doctrines clearly conflict concerning the permissible means by which a patentee may extract from the buying public the full monetary measure of his invention's competitive superiority. The doctrine of contributory infringement in its classical exposition admits that a patentee may temporarily extend his monopolistic market power to unpatented items used in or with his invention since he is able to do this only to the extent the public values his invention and since he is not given a patent *in terms* over the unpatented items. In other words, the public will never pay more for use of the invention and its necessary concomitants than it thinks the full invention is worth. And since the patentee is not given a formal patent right regarding unpatented elements, competitors may freely sell them for any uses except in connection with the patented device, they are foreclosed only from the markets for their goods that exist *because of* the patented invention. The doctrine of patent misuse, on

and the often overlapping range of conduct prohibited by the antitrust laws and thus the potential basis for a treble damage cause of action. *See, e.g.,* T. Maffei, *The Patent Misuse Doctrine: A Balance of Patent Rights and the Public Interest,* 52 J.Pat. Off.Soc'y 178 (1970).

The developing antitrust assessment of tying conduct came to fruition in *International Salt Co.* v. *United States,* 332 U.S. 392, 68 S.Ct. 12, 92 L.Ed. 20 (1947), and *Northern Pacific Railway Co.* v. *United States,* 356 U.S. 1, 78 S.Ct. 514, 2 L.Ed.2d 545 (1958), patent and non-patent cases respectively. Such business schemes were held to be per se violations of section 1 of the Sherman Act and section 3 of the Clayton Act.

the other hand, categorically denies that the value of the patented good can properly be sounded by sales of unpatented goods used in or with it, however unique or important to the invention they may be. Any attempt, for the sake of convenience or otherwise, to capitalize on the invention except by dealing in the invention *as a whole* is beyond the scope of the patent and against public policy.

Seen in this light, there was more than a grain of truth in Justice Douglas' much maligned "dictum" in *Mercoid* that the result in that case, together with the other patent misuse cases, "limits substantially the contributory infringement doctrine" — to the extent that only some unexplored "residuum" might be left. Theoretically, the two doctrines can hardly coexist. The protection of unpatented elements granted in *Leeds & Catlin* is inconsistent with pro-consumer and pro-competitor values protected by thoroughgoing misuse principles. This can be demonstrated by considering the hypothetical case of the "good patentee." Posit a patentee who is exploiting his invention totally within the bounds of its claimed scope. He has the capability to produce and market a sufficient supply of the patented combination to reap his legitimate monopoly profits. Thus, he declines, as is his right, to license others to manufacture and sell the invention. He learns that his patent is being infringed by consumers with the aid of Mr. D, who has been making and selling, with instructions for completing the invention, the unique elements of his patent, elements that have no use outside the invention. Since the patentee is marketing the whole of his invention, he cannot be charged with wrongfully extending his patent.[12]

[12] Of course, if, as the *Stroco* court thought, the mere bringing of a contributory infringement suit is misuse, the patentee is barred. But this extreme definition of misuse would succeed in *totally* destroying contributory infringement principles, a result that, though logically consistent, apparenly was not contemplated by Justice Douglas. He explicitly assumed that *Mercoid* was susceptible to an injunction at the hands of the proper plaintiff. 320 U.S. at 668-69, 64 S.Ct. 268.

His suit against Mr. D for contributory infringement is therefore successful, and he is granted the traditional injunction that forces Mr. D to cease the challenged conduct. It seems evident from this scenario that, by use of the contributory infringement doctrine, the patentee has foreclosed competitors in the unpatented item, "leveraging" his one lawful monopoly into the market for an unpatented item where he now has no competition. What difference can it possibly make either to consumers or to competitors in the market for the unpatented item that the patentee has made his profits by selling the entire combination instead of the unique element? Competition in the submarket has been destroyed.

Despite this anomaly, caused, we think, by the conflicting bases of the doctrines, all sorts of prudential lines might be drawn to demarcate the doctrines and save for each some "appropriate" scope. Indeed, this was done in each successive patent misuse case before *Mercoid*. For instance, when the Court in *Motion Picture* disapproved a patentee's right to tie unpatented staple supplies used with the invention, it seemed carefully to imply that a different rule might apply when the unpatented item was used in, as part of, the invention. When it took the next step down the road in *Carbice,* disapproving a tie of the unpatented staple *element* to use of the patented invention, it was possible to think that an element with no noninfringing use might be treated differently, especially since the Court went out of its way to approve the *Leeds & Catlin* holding. *Mercoid* only carried the misuse doctrine a logical step further in wiping out a patentee's right to profit from an unpatented element with no use at all outside the patented item. That the misuse doctrine had really triumphed over the contributory in-

fringement doctrine seems evident in Justice Douglas' disapproval of *Leeds & Catlin,* a move unnecessary to the narrow *Mercoid* holding since the Court had previously described the *Leeds* patentee as a patentee profiting only by sale of the entire combination.[13]

It is possible that this *Mercoid* "dictum" casting doubt on the entire contributory infringement doctrine is all that was overruled by the enactment of section 271. It is possible that section 271, as defendants and several commentators urge, merely codifies the *Mercoid* result along with other patent misuse law. If so, then plaintiff Rohm & Haas cannot be allowed to foreclose the defendants from the propanil market, though, were Rohm & Haas merely practicing its exclusive right to spray farmers' fields with propanil, it could successfully sue to prevent the defendants from continuing their present practices. It is therefore with special care that we turn to the statute's legislative history so that we may interpret its words in light of the purposes Congress sought to serve by its enactment.

There was apparently no debate on the House floor regarding the 1952 codification and scant public debate in the Senate. An interchange in the Senate shortly before the bill was passed has often been cited as evidence that section 271 did not overturn the result in *Mercoid.*[14] In response

[13] The *Carbice* Court had so described the *Leeds* patentee. 283 U.S. at 34, 51 S.Ct. 334. Query, though, whether the description was accurate. Would the Victor Company have had much incentive to sue Leeds unless Victor itself desired to capture the market for both replacing broken records and supplementing the buyer's collection with new tunes? Surely the suit would have been unnecessary if Victor merely intended to sell only a single record for use with the more durable stylus.

[14] *See, e.g., Aro Manufacturing Co.* v. *Convertible Top Replacement Co.,* 365 U.S. 336, 347 n. 2, 81 S.Ct. 599, 5 L.Ed.2d 592 (1961) (Black, J., concurring). See, however, the discussion of this passage in the court below, *Rohm & Haas Co.* v. *Dawson Chem Co.,* 191 U.S.P.Q. 691, 701 n. 9 (S.D.Tex. 1976)

to a question by Senator Saltonstall about the purpose of the bill, whether it changed the law in any way or merely codified it, Senator McCarran, Chairman of the Judiciary Committee that had been in charge of the bill in the Senate, stated: "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). The force of this exchange is mitigated, however, by Senate McCarran's introduction a few moments later of a short prepared statement that in part states:

> In view of the decisions of the Supreme Court and others as well as trial by practice and error there have been some changes in the law of patents as it now exists and some new terminology used.

Id. To one familiar with the rest of the legislative history, that sentence seems almost certainly a reference to section 271 and the *Mercoid* case, among others.

The reports on the bill issued by the House and Senate Committees on the Judiciary each contain language similar to McCarran's in discussing section 271. The reports and, indeed, the title of the bill indicate its general purpose to be the revision, as well as the codification of the patent law, which had largely developed in the courts to supplement earlier and more sparse patent statutes. The reports explain that section 271 was designed to remove the "considerable doubt and confusion" engendered by "a number of decisions of the courts in recent years" and that paragraphs (b), (c), and (d) were to provide "clarification and stabilization.[15] Though other portions of the reports state

[15] As general description of the bill, each report states:

> Although the principal purpose of the bill is the codification of title 35, United States Code, and involves simplification and clarification of language and arrangement, and elimination of obsolete and redundant provisions there are a number of changes in substantive statutory law. These will be explained in some detail in the revision notes keyed to each section which appear in the appendix of this report.

The major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.

H.R.Rep.No.1023, 82d Cong., 2d Sess. 5 (1952); S.Rep.No.1979, 82d Cong., 2d Sess. 4 (1952).

The summary of section 271 more specifically states:

Section 271, paragraph (a), is a declaration of what constitutes infringement. There is no declaration of what constitutes infringement in the present statute. It is not actually necessary because the granting clause creates certain exclusive rights and infringement would be any violation of those rights.

Paragraphs (b), (c), and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisions of the next paragraph which is concerned with the usual situation in which contributory infringement arises. This latter paragraph is much more restricted than many proponents of contributory infringement believe should be the case. The sale of a component of a patented machine, etc., must constitute a material part of the invention and must be known to be especially made or especially adapted for use in the infringement before there can be contributory infringement, and likewise the sale of staple articles of commerce suitable for non-infringement use does not constitute contributory infringement. The last paragraph of this section provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.

H.R.Rep.No.1923, 82d Cong., 2d Sess. 9 (1952); S.Rep.No.1979, 82d Cong., 2d Sess. 8 (1952).

that only changes "deemed substantially noncontroversial and desirable" were made in the then current patent law principles,[16] the transcript of hearings held by the House Judiciary Committee indicates that the decision to consider section 271 "noncontroversial" was in itself a controversial issue.[17]

The most important portions of those hearings, for our purposes, involve the various appearances of Mr. Giles S. Rich, the chief draftsman of the contributory infringement provisions. The tenor of his explanations indicates that section 271 was designed to immunize behavior like that in issue here.

Evidence of this can be found, for instance, in his discussion of an unreported case, *Amalgamated Dental Co.* v. *William Getz Corp.*, in the Eastern District of Illinois. 1951 Hearings at 154-56. The plaintiff-inventor had secured a patent on a method for making dental impressions by mixing four chemicals in an aqueous solution that dried into a stiff elastic gel. The patentee was retailing his

[16] *See, e. g.*, H.R.Rep.No. 1923, 82d Cong., 2d Sess. 3 (1952).

[17] Hearings were held by successive Congresses to consider the complex question of revising and codifying the patent law and particularly the contributory infringement problem. Patent Law Codification and Revision: Hearings on H.R.3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. (1951) [hereinafter 1951 Hearings]; Contributory infringement: Hearing on H.R. 3866 Before Subcomm. No. 4 of the House Comm. on the Judiciary, 81st Cong., 1st Sess. (1949) [hereinafter 1949 Hearings]; Contributory Infringement in Patents — Definition of Invention: Hearings on H.R. 5988, H.R.4061 and H.R.5248, Before Subcomm. on Patents, Trademarks and Copyrights of the House Comm. on the Judiciary, 80th Cong., 2d Sess. (1948) [herinafter 1948 Hearings].

invention by selling the four chemicals as a unit, with directions for completing the mixture by adding water before the material was to be applied. The alleged infringers were marketing the invention in identical fashion. The district court, which had originally decided the *Mercoid* case and had easily perceived misuse there and in other cases, balked at deeming the patentee guilty of misuse simply because, along with his four chemicals, he had not included a little water.

After quoting the court's gyrations in allowing the suit over the asserted defense ("the water just constitutes the environment in which these chemicals perform"), Rich remarked that "[l]ogically, he cannot get around the *Mercoid case.*" Rich noted that courts faced the same problem regularly in fact situations of this kind and that they were deciding inconsistently. He then went on to explain that the statutory solution was designed to avoid restricting competition in items that were staples, while at the same time allowing patentees to deal in certain materially important unpatented elements and to sue competitors therein without being thrown out of court on grounds of misuse. *Id.* at 157-59. He was especially concerned with a situation

> where the economics of the industry is such, perhaps, that the invention is not sold in the form in which it is claimed in the patent; it is sold in a slightly incomplete form like the lamp without the chimney, so that there is a technical defense based on the omission of something mentioned in the claim.

Id. at 158.[18]

Another telling feature of Mr. Rich's remarks is his observation that the new statutory rule cannot be compared

[18] Such a concern for economical distribution of inventions is of course at odds with the Supreme Court's earlier views in *B. B. Chemical, supra.*

to any definite era in the history of the contributory infringement and patent misuse doctrines.[19] *Id.* at 161. Rather, the line drawn by paragraphs (c) and (d) respresents a careful compromise between the public policy of encouraging competition, vindicated by exempting sales of staples from the definition of contributory infringement, and a patentee's desire to market his device in the most practical manner possible and to protect it against piracy. Under paragraphs (c) and (d), the patentee has no right to sue anyone who is merely marketing a staple, or even a non-staple that does not amount to a *material* part of his invention. Such conduct by unlicensed competitors is not defined as contributory infringement. Thus, as long as a competitor is not actively inducing infringement (as by advertising or giving detailed instructions for practicing the invention with his products — conduct prohibited by paragraph (b)), a seller may even *know* or *intend* that his products will be used in an infringement, and a patentee will not be able to foreclose him from the market. *See generally id.* at 159-62.[20]

[19] This view was also presented by Mr. P. J. Federico of the U.S. Patent Office, who, in giving a quasi-official overview of the bill except for section 271, remarked that

> paragraph (c) which is the key section, was devised by the groups working on it as an attempt to state in statutory form the theory of what has been called contributory infringement of patents in a manner which, looked at from certain points of view, might be considered restrictive of what has been held in the past and looked at from some other points of view might be considered broader.

[20] Mr. Rich emphasized this narrow but important shift in doctrine by noting the result in the *Carbice* decision would not be changed:

> There would be no possibility under this section of utilizing the patent to monopolize the sale of dry ice which was a staple article of commerce, or a commodity of commerce which had been known 80 years. It would still be

This understanding of the joint effect of paragraphs (c) and (d) is reinforced by the arguments of the bill's opponents, most prominently the Justice Department. T. Hayward Brown, Chief of the Patent Litigation Unit, showed especial opposition to paragraph (d), which the Justice Department deemed a major controversial change from then current misuse principles and, as such, inappropriate for inclusion in a codification.[21]

misuse as in the *Carbice* case, even though this section were enacted.

Id. at 161.

In the context, the negative implication of these remarks is clear: patentees who market unpatented nonstaples might possibly monopolize such sales. And in his remarks at earlier hearings, to which he referred the committee at several points, he had made this explicit:

> The exception which we wish to make to the misuse doctrine would reverse the result in the *Mercoid* case; it would not reverse the result in the *Carbice* case.

1949 Hearings at 67, 68-69.

[21] Part of Mr. Brown's assessment is as follows:

> These provisions would result in writing into the patent statutes for the first time the strictly judicial doctrine of contributory infringement, a doctrine which has been the subject of considerable controversy and has been properly limited by the courts in recent years. This Department is opposed to extending the law of contributory infringement. The revision would clearly extend it in several respects. In the first place, paragraph (b) would put the contributory infringer in the same category as a direct infringer, thereby subjecting him to the limitations and liabilities of the latter.
>
> Paragraph (d) would greatly impair the salutary doctrine that a patentee who has misused his patents may not recover in a suit for either direct or contributory infringement. The Supreme Court has held that a requirement by a patentee that users purchase from him or his exclusive licensee unpatented part not within the scope of the patent, was a misuse of the patent and barred recovery even though contributory infringement was assumed to exist. This doctrine is a most important factor in the enforcement of the antitrust laws with respect to tying arrangements and the Department is opposed to any impairment thereof.
>
> It is not clear to what extent paragraph (b) is intended to enlarge the present law on contributory infringement.

One who read section 271 differently from Mr. Rich, and is thus often cited to support a narrow interpretation of it, is Representative Crumpacker, a member of the House subcommittee conducting the hearings on the bill. When Mr. Fugate of the Justice Department railed against the provision because of its ostensible legitimation of certain types of misuse, Crumpacker's response indicates he read the language as applying to innocent conduct not previously deemed misuse or "monopolistic practices" by the courts.[22] 1951 Hearing at 165-64 and following. Mr. Rich was brought back to clarify matters. Mr. Rogers then summarized Rich's position as follows:

> Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory in-

> The phrase, "actively induces infringement" might cover many situations which are not now considered to be contributory infringement. Paragraph (c) also appears to enlarge the scope of contributory infringement. While some cases have indicated that one who sells an article not capable of use except in an infringing manner is liable for contributory infringement even in the absence of actual knowledge of the infringement, the sounder approach would seem to be that such facts merely give rise to a rebuttable presumption of intent to infringe.

1951 Hearings at 96-97. *See also* the remarks of Mr. Wilber L. Fugate, an attorney of the Justice Department's Antitrust Division, 1951 Hearings at 162-69.

[22] Mr. Crumpacker seemed incredulous at Mr. Fugate's suggestion that, if applied generally, paragraph (d) would immunize conduct which the courts had found to be misuse. He countered:

> It says that he shall not be deemed guilty of misuse because he has done one of these three things. It doesn't say that he shall be deemed not guility of misuse because he has done this. I think you are reading it backward. That is, he may have done all three of these things and still be guilty of misuse, as I interpret the language.

1951 Hearings at 167.

> fringement as set forth in section (c), and that if he has done one of the three things in section [(d)], that shall not be considered a misuse of his patent, and *thereby reestablish what you thought you had before the Mercoid case.* Isn't that about what the situation is?

Id. at 173 (emphasis added).

Mr. Rich agreed and further explained that to recover a full complement of contributory infringement meant something had to be done about misuse.

> So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misused, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so.

Id.

In a final clarification, Mr. Rogers revived an earlier line of inquiry: whether the enumerated rights were innocent in themselves or whether the courts had previously deemed each one of them patent misuse. As the final comprehensive discussion of section 271(d), and as a treatment that seemed to satisfy Representative Crumpacker sufficiently so that he turned to another matter, this exchange, set out in the margin, is worthy of study.[23]

[23] Mr. Rogers. May I ask this further question? Do you know of any case where the plaintiff was denied relief because he had accepted revenue from acts which, if performed by another without his consent, would constitute contributory infringement of the patent? That is number one.

Mr. Rich. The *Barber Asphalt* case, I think is typical of that, and to some extent the *Carbice* case. In the *Carbice* case there was a form of license on the invoice. In the *Barber Asphalt*

case they tried to distinguish on the ground that they had no agreements with anybody, so that what they were doing was deriving revenue in the form of profits from the sale of the unpatented staple commodity for use in the invention.

Mr. Rogers. So the court then said that that act constituted something leading toward monopoly or contrary to public policy, and for that reason denied relief to the plaintiff?

Mr. Rich. That is correct.

Mr. Rogers. Now, as to No. 2, are there any cases where licensed authorized persons performed acts which, if performed without their consent, would constitute contributory infringement of the patents?

Mr. Rich. Well, that is the *Mercoid* type of situation.

Mr. Rogers. Yes.

Mr. Rich. It must, of course, be realized that if we had had a statute like this, the *Mercoid* case might have been tried differently, on a different theory. But it deals with granting licenses to people who would otherwise be contributory infringers, not direct infringers, because they are only making part or less than the whole of the invention.

Mr. Rogers. Well now, do you know of any case where they have denied relief to the plaintiff where he had sought to enforce his patent rights against infringement or contributory infringement on this section 3?

Mr. Rich. Do you mean section 2, licensing?

Mr. Rogers. No, section 3 of (d).

Mr. Rich. That is sought to enforce?

Mr. Rogers. Yes.

Mr. Rich. That is the *Stroco Products* v. *Mullenbach* case.

Mr. Rogers. Then the effect of (d) with the (3) in there would be to say to the Supreme Court that it is the sense of this Congress that where you have heretofore denied relief to the plaintiff, you shall henceforth grant him relief if he has only performed one, two, or three of these acts in (d), and that is why the Department of Justice is objecting to it?

Mr. Fugate. Yes, sir.

Mr. Rogers. And it would therefore necessarily follow that by taking (c) and (d) together we are asking the Supreme Court to not follow the line of reasoning of declaring that a man shall be denied his day or damages if he has done any one of these three acts. Isn't that what it amounts to?

Though because of stray passages like those involving Senator Saltonstall and Representative Crumpacker the legislative history is not crystal clear, we think the weight of it favors Rohm & Haas' reading of the statute. We are further confirmed in our view of section 271 by observing that the extremely narrow reading favored by defendants, though plausible, does not rest especially well on the wording of the provision.

All the parties seem to agree that subsection (d)(1) means that a patentee may sell unpatented elements of his invention. We add that, because of the explicit limitation of the right to "acts constituting contributory infringement," a term defined in paragraph (c) immediately before, apparently a patentee who is attempting to completely

---

Mr. Rich. That he shall not be denied his day or damages merely because he has done one, two, or three, or all of these acts if the contributory infringement referred to in (d) is of a type which falls within the specific terms of (c).

Now, a suggestion has come to me during this discussion which may bring the views of Justice and of the patent bar together. That would be to insert in the third line of paragraph (d) before the last word "by" the word "solely" so that he shall not be deemed guilty of misuse or illegal extension of patent rights solely by reason of his having dose one or more of the following.

If he has gone beyond those and done other acts which could be misuse, then the misuse doctrine would be applicable.

Mr. Rogers. But then even with the word "solely" we would still say to the Court that if he had done one of these, he could now be permitted to recover?

Mr. Rich. If he has not misused it otherwise. If it comes within the terms of (c). If he tries to license somebody, for instance, to manufacture a staple article of commerce, to be sold in a patented invention and collect royalties, let us say, for manufacturing of salt tablets to be used in a patented vending machine or dry ice to be used in a patented shipping container, that will be misuse because it doesn't come within the terms of (c).

1951 Hearings at 174-75.

foreclose competitors is safe from a misuse defense only in selling products that are nonstaples, material parts of his invention, and capable of no substantial noninfringing use.[24] Subsection (d)(2) additionally allows a patentee to "license" another to do those same sorts of acts — that is, acts that would be contributory infringement (the selling of appropriate nonstaples) if done without permission.[25]

---

[24] The district court, in concluding that the rights specified in (d) are completely unrelated to the practices described in (c), overlooked the plain wording of the statute. Moreover, the intended incorporation of the limitations in (c) into the conduct allowed in (d) is, we think, clear from the legislative history set out at length in n.23, *supra*.

The official Revisory Notes to section 271, relied on below, state that paragraph (d) is "ancillary to" paragraphs (b) and (c). But we do not read this linkage of sections (d) and (b), which contains no limitation to nonstaple material parts of the invention, as allowing a patentee to sell staples *and* to sue under (d) to completely foreclose competing sellers.

Since case law does not presently consider a patentee's mere sale of staples used in his invention to be "misuse" (as long as he does not tie use of the invention to purchase of the staple), we view the linkage as allowing such an innocent patentee to sue under (d)(3), without thereby being deemed a misuser, a competing seller of staples who is "actively inducing" infringement. The patentee's relief, however, would not be an injunction forbidding the defendants' *sale* of staples, since mere sale is not wrongful under either (b) or (c). Appropriate relief might extend to an injunction against continuing to "actively induce" infringement, conduct forbidden by (b).

Reading (d) and (b) together more broadly so as to allow a patentee to tie mere staples to use of the invention would conflict with the clear legislative intent of preserving *Carbice*, while altering the *Mercoid* rule in favor of those who are not marketing their entire invention but are marketing material, nonstaple parts thereof. The broader reading would destroy the careful compromise of the drafters by endangering much more competition than the relatively small amount implicated in the markets for nonstaples uniquely attributable to a patented invention.

[25] This limitation parallels our interpretation in n.24 *supra* and accords with the statements by Mr. Rich quoted in n.23 that an attempt by a patentee to license a competitor to sell mere staples for use in the invention would survive as misuse and thus bar a suit to enforce the patent.

As a commentator has noticed, the rights to license another to sell such unpatented items would be rendered worthless if the only right conferred by (d)(1) were the right to sell the item as one competitor among many freely competing. Who would take a license, and on what terms, if anyone were free to compete, and the patentee had no legitimate right to exclude others from the market?[26] When one adds to this realization that in (d)(3) Congress has also given the patentee the cumulative right to enforce its patent against those doing without permission — without "license" — what the patentee itself is doing, the impression becomes almost overpowering that Congress *did* clearly provide for a patentee's right to exclude others and reserve to itself, if it chooses, the right to sell nonstaples used substantially only in its invention.[27]

---

[26] The statute permits the patentee to "license" or "authorize others to do the same acts which he himself is permitted to to do by subsection (1). If the only act permitted by subsection (1) is the sale of components in competition with unlicensed suppliers, the "license" language is meaningless. Of what possible use is a "license" to compete when anyone can compete without a license? In order to give significance to the word "license," it must be assumed that the right of the patentee being licensed is somehow exclusive — that another supplier could not sell the component without the patentee's permission. If this is the case, both subsections must allow the patentee an exclusive right to sell components, precisely the type monopoly struck down in *Mercoid*.
Note, *Combination Patents: The Right to Prohibit the Sales of Replacement Parts*, 70 Yale L.J. 649, 656 (1961).

[27] The district court read (d)(2) as giving Rohm & Haas "the right to authorize a third party by virtue of an implied license to resell the propanil for use in the patented method." This seems to refer to the right of one who buys propanil from Rohm & Haas to resell it to someone else. But if so, (d)(2) simply restates what has always been the right of *any* purchaser of an item, patented or not. Once an item has been conveyed, it passes beyond the patentee's monopoly power and the buyer can use it or sell it as he wishes. *See, e.g., Adams* v. *Burke*, 84 U.S. (17 Wall.) 453, 21 L.Ed. 700 (1873), and, more recently, *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 497, 84 S.Ct. 1526, 12 L.Ed.2d 457 (1964). Surely no statute was required to save a license that operates as a *matter of law* from being deemed patent misuse.

The Supreme Court cases discussing section 271 are few and, as the able district court below recognized, none of

Defendants would have us impose a *requirement* that a patentee like Rohm & Haas offer erstwhile competitors licenses, available to all comers at a reasonable royalty rate. *Then*, they say, it would be permissible for Rohn & Haas to sell propanil under (d)(1) in competition with its licensees and under (d)(3) to sue all competitors who refuse to accept a license and pay royalties. And along similar lines, the district court deemed Rohm & Haas' marketing program as even greater misuse than that accomplished by Mid-Continent in *Mercoid*. Mid-Continent offered licenses and sued only the manufacturer Mercoid, which refused to take a license, whereas Rohm & Haas has *refused* to license competitors.

This line of reasoning certainly states an attractive possibility. It allows a patentee economically to market his invention, yet preserves competition in propanil, which is, after all, not patented. As attractive as this compromise is, however, we cannot discern it in the statute. On the contrary, the statute explicitly allows a patentee to do "one or more of the following" — and merely coupling (d)(1) with (d)(3) allows the result we ratify here. Opponents of the bill saw this clearly. in the 1949 Hearings, Mr. John C. Stedman, Chief of the Justice Department's Legislation & Clearance Section, Antitrust Division, stated:

> [(d)] sounds reasonable and innocuous enough. Its effect, however, is to permit a patentee to sell unpatented parts for a device or composition covered by his patent or sell unpatented materials or apparatus for use with a process patented to him, and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him. . . . This is exactly the type of practice which the courts have unequivocally and consistently condemned, both under the patent laws and under the antitrust laws.

1949 Hearings at 52.

We decline to rule that a patentee *must* license under (d)(2) in order to use his rights under (d)(1) and (d)(3). A general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions.

them controls. Of the cases decided in this area since 1952, most are either silent regarding the effect of section 271 on *Mercoid,* probably because they involve staple items, or else they simply cite with approval *Mercoid's* various summations of the misuse doctrine. And indeed, apart from the very narrow exception as to material nonstaples immunized by section 271, *Mercoid* remains an excellent summation of misuse considerations. Nevertheless, we cannot overlook the importance to our issue of two cases decided closely after section 271 was enacted, in which several members of the Court expressed the view that section 271 merely codifies patent law, including *Mercoid* and its result, and made no changes in the law such as those contended for by Rohm & Haas.

In *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.,* 365 U.S. 336, 81 S.Ct. 599, 5 L.Ed.2d 592 (1961) (*Aro I*), and *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.,* 377 U.S. 476, 84 S.Ct. 1526, 12 L.Ed.2d 457 (1964) (*Aro II*), the Court faced actions for contributory infringement based on a claim that defendant's cloth tops for convertibles aided an infringing reconstitution of the patented mechanical top, rather than a noninfringing repair of the item. In *Aro I,* in the course of rejecting the claim, the majority cited *Mercoid* for the principle that the separate unpatented elements of a combination patent are not protected by the patent monopoly. The technical ground of the opinion, however, seemed to be the determination that the purchaser of an auto with a convertible top gains, along with the right to use the top, the right to replace its worn out parts. Unless his actions are so extensive as to become a prohibited reconstruction, his action in replacing, for example, fabric portions of the top, does not constitute an infringing action. Without someone's committing of a *direct* infringement, there was of course no predicate for contributory infringement, there was no tort being committed in which the seller of replacement tops could participate. Justice Harlan, joined by two others, dissented, arguing that the majority's reliance on *Mercoid* destroyed the significance of cases such as *Leeds & Catlin* that gave relief against contributory infringement on principles approved by Congress in section 271.

In *Aro II* Justice Brennan wrote for a different majority. In *Aro I* he had agreed with Justice Harlan's view of section 271 but had concurred with the majority on the simple ground that without a direct infringement no contributory liability was possible. The new majority now distinguished *Aro I* as involving only car buyers from manufacturers who had been *licensed* to make the patented convertible top in auto construction. In *Aro II,* by contrast, the replacement tops were also designed to renew the covering on cars manufactured by a company that had *refused* a patent license. The Court held in part that because this unlicensed manufacturer had no right to construct or convey the invention, buyers of these cars received no right even to *use* the invention, much less the right to repair it. Because the Court deemed each such repair by those buyers an independent direct infringement, the knowing seller of replacement tops was open to liability as a contributory infringer.

Justice Black, who had specially concurred in *Aro I* in part to emphasize his view that section 271 merely codified the *Mercoid* result, spoke for himself and three other dissenters. The real basis for *Aro I,* he argued, was not merely the lack of a direct infringement but also the recognition grounded in the misuse cases that the scope of a patent can never properly extend to unpatented elements. He vehemently disapproved the majority's result, charging that the patentee was being allowed to expand its monopoly,

an unconstitutional result not within congressional patent clause powers.[28]

Had this been all there was to the *Aro II* case, it would have been strong support for our reading of section 271. Unfortunately, however, the extraordinarily complex opinions, on balance, probably cut against our view.[29] Because

---

[28] The majority responded to this point by simply stating that they had "no doubt that § 271(c) as so construed and applied, within the limitations set forth in the succeeding portions of this opinion, is constitutional" 377 U.S. at 492 n.10, 84 S.Ct. at 1535 n.10.

Defendants herein also challenge the constitutionality of the interpretation of the statute we have adopted. We believe, however, that it is well within congressional power to allow certain patentees incidental market power over items not technically within the patent grant when this is necessary to effectively market and protect a patented invention.

[29] For instance, the majority left open the possibility that the patentee and its licensee might have been barred by the patent misuse doctrine had the issue been properly preserved by the defendant. 377 U.S. at 491-92, including n.9 84 S.Ct. 1526.

Moreover, the majority spoke of the congressional purpose in enacting section 271 as the desire to "reinstat[e] the doctrine of contributory infringement as it had been developed by decisions prior to *Mercoid*, and [to] overrul[e] any blanket invalidation of the doctrine that could be found in the *Mercoid* opinion." *Id.* Any correlative effect upon the misuse doctrine was not alluded to.

At another point the Court cited *Carbice* and *Mercoid* for the general proposition that a patentee cannot impose conditions concerning the unpatented supplies, ancillary materials, or components with which the use is to be effected. 377 U.S. at 497, 84 S.Ct. 1526. The context of these remarks is quite different from the situation before us, since the attempt in *Aro* to restrict the sources of supplies for future repairs violated the long-standing patent principle that when a patentee has *sold* a patented article he has granted the purchaser an implied license to use, and he cannot thereafter restrict that use. "So far as the use of it was concerned, the patentee had received his consideration, and it was no longer within the monopoly of the patent." *Adams* v. *Burke*, 84 U.S. (17 Wall.) 453, 456, 21 L.Ed. 700 (1873). This principle is not involved in our situation.

the policies involved in our factual situation — a primary use market — differ so from the policies involved in protecting competition in a market for unpatented elements to be used as mere replacement parts at the hands of one with a legitimate right to tinker with a patented device by reason of his absolute ownership thereof, we consider the *Aro* opinions as not controlling the result of our case.[30] In line with an earlier panel that concluded in dictum that section 271 "was intended to work some changes" in the

---

Nevertheless, there remains a suggestion that perhaps the majority would have considered any conditioning or tying as misuse, still prohibited irrespective of section 271(d).

And finally, though the majority upheld the plaintiff's right to recover damages from the contributory infringer, it practically instructed the district court not to award more than nominal damages. In addition to a reluctance to let a patentee bypass a ready target — the direct infringer auto manufacturer — to reach the contributory infringer who competes in the submarket, the policies behind this measure of damages were firmly based on misuse principles:

> [A different measure of damages] would enable the patentee to derive a profit not merely on unpatented *rather than* patented goods — an achievement prescribed by the *Motion Picture Patents and Mercoid Cases,* supra — but on unpatented *and* patented goods.

377 U.S. at 510, 84 S.Ct. at 1544 (original emphasis). The Court also stated that such a result "would be at war with virtually every policy consideration in this area of the law." *Id.*

[30] In addition to the *Aro* cases, the defendants cite *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 92 S.Ct. 1700, 32 L.Ed.2d 273 (1972), *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), and *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969), as evidence of the continued validity of *Mercoid*. It is true that these cases contain ringing endorsements of patent misuse theory concerning the proper scope of a patent. However, we decline to rely on their general statements, made in context far afield from a patentee's effort economically to market his invention by sale of its unique, nonstaple elements, to reach a result contrary to the one we see so clearly in the statutory words and its legislative history.

concepts of patent misuse and that section 271 was "a congressional disapproval and legislative modification of the court-fashioned *Mercoid* principles," we do not feel that our independent consideration of section 271 is precluded by the "varying views" expressed by the justices in *Aro. Fromberg, Inc.* v. *Thornhill,* 315 F.2d 407, 414 n.18 (5th Cir. 1963).

With this, we have about exhausted our present capacity for rational thinking on patent matters. As we noted during the oral argument of this case, patent cases are the only cases argued by professionals and decided by amateurs. We take some comfort in noting that any shortcomings of our effort can safely be laid to the difficulty of the subject matters. Mr. Giles S. Rich observed on several occasions during the hearings on section 271 that patent law is "the metaphysics" of the law and that contributory infringement/patent misuse issues are the metaphysics of patent law. In remanding this matter for further proceedings consistent with the above views, we gratefully leave untouched a correlative issue not technically before us: whether our analysis, coupled with the statutory command that patentees doing activities mentioned in (d) cannot be "deemed guilty of misuse or illegal extension of the patent right," affects the antitrust counterclaim filed herein by the defendants.

REVERSED and REMANDED.

IN THE

United States Court of Appeals

FOR THE FIFTH CIRCUIT

No. 76-4511

D. C. DOCKET NO. CA-74-H-790

ROHM AND HAAS COMPANY,
Plaintiff-Appellant, Cross-Appellee.

v.

DAWSON CHEMICAL COMPANY, INC., ET AL.,
Defendants-Appellees, Cross-Appellants.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS

Before GEE and VANCE, Circuit Judges, and HUNTER,* District Judge.

JUDGMENT

This cause came on to be heard on the transcript of the record from the United States District Court for the Southern District of Texas, and was argued by counsel;

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be, and the same is

hereby, reversed; and that this cause be, and the same is hereby remanded to the said District Court in accordance with the opinion of this Court;

It is further ordered that the defendants-appelles pay to the plaintiff-appellant the costs on appeal, to be taxed by the Clerk of this Court.

July 30, 1979

*District Judge of the Western District of Louisiana, sitting by designation.

ISSUED AS MANDATE: AUG. 24, 1979